



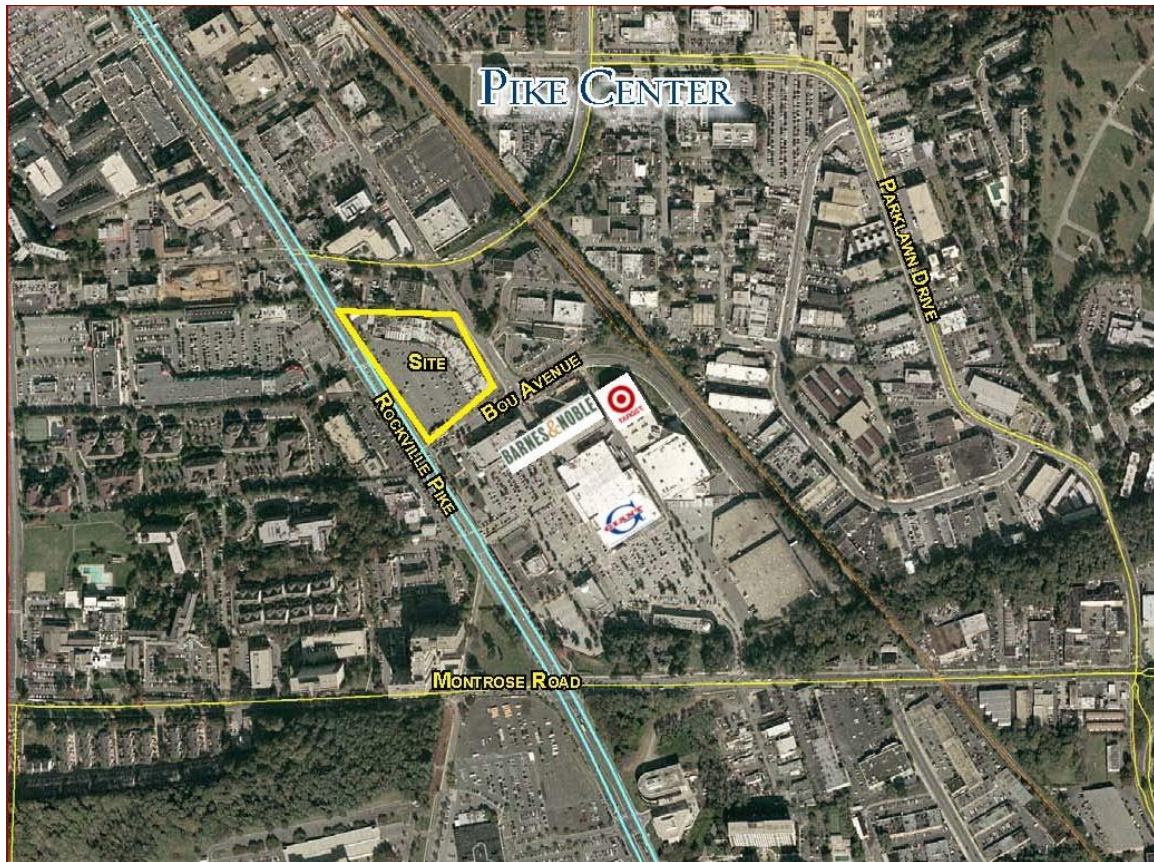
# **Pike Center – Plan for Redevelopment**

**Evaluation Practicum**

**December 4, 2008**

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**PIKE CENTER EVALUATION  
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## **I. PROPERTY SUMMARY FOR PIKE CENTER**

### **A. Current Status of Site**

Pike Center is located on Montgomery County's main retail corridor, Rockville Pike (Route 355). The property is a one-story retail center located at 12101-12151 Rockville Pike, Rockville, Maryland. The property consists of 73,692 square feet of retail space. Currently there are three main buildings, which consist of a 1,860 square foot Shell gas station, 2,000 square foot United Bank, and the remaining in-line retail stores. The retail consists of the following stores: TGI Fridays, Kemper Carpet, Office Depot, Mattress Warehouse, PS Plus Sizes, David's Beautiful People, Bagel City, Bellini Juvenile Furniture, CiCi's Pizza, Richey & Co. Shoes, Goodyear, United Bank and a Shell gas station. There is currently only one vacancy in the center.

The center is located in Montgomery County, Maryland on Rockville Pike. The entire site is about 6.84 acres or 297,950 square feet which is 0.25 FAR.

The Center is located on the east side of Rockville Pike, immediately to the south of the Rockville City boundary. The property has not been updated in over 20 years. It has a dated appearance and is mostly a sea of asphalt parking lot with very little landscaping. The site contains very little green area.

## **B. Recommendation**

Rockville Pike is one of the top retail destinations in the country which is seen from the retail capture rate analysis of the area. According to the analysis in the Rockville Town Center Master Plan, Market Opportunities Chapter, retail buying power is strong, home prices are above average, and vacancy rates for office buildings and rental housing are at historically low levels. The analysis used a classification system for predicting the purchasing power of residents which classified 46% of the population as “Wealthy Seaboard Suburbs”, “Top One Percent” and “Successful Suburbanites and these groups rank high for expenditures on non-necessities such as furnishings and improvements, electronic and apparel. Furthermore, according to the Market Opportunities chapter of the Rockville Town Center Master Plan, the primary shopping area in the Rockville area is along Rockville Pike. The Rockville area retail market is very strong and can support considerable retail space as is seen from the retail captures rates of 15-30% in the area. The site’s prominent location on Rockville Pike, the dilapidated appearance, the visibility from the Pike, the accessibility of the Center, and the close proximity to two Metro Stations makes this property a prime candidate for redevelopment.

In order to maximize the use of this property as well as add value to the area, redevelopment is necessary. However, the current state of the economy dictates that a renovation of the center with minor new development should be the goal of this center in the present.



- Redevelopment of the Property would entail some renovation of the existing buildings as well as adding more retail along Rockville Pike.
- By bringing more retail along Rockville Pike it would thereby address the street better by increasing visibility of the center and the retail while also adapting to the new design of Rockville Pike that is currently in planning process.
- Furthermore, more green area needs to be created and therefore making the center much more aesthetically pleasing.
- Also, improving the layout and landscaping in order to create a more urban existence which is what the new plan for Rockville Pike is focusing on.

Due to the current state of the economy and the resulting decrease in spending, the center should only be redeveloped to accommodate this market. The proposed redevelopment of the Property involves demolishing an existing 2,000 square foot bank located at the corner of Rockville Pike and Bou Avenue and replacing it with a new 6,000 square foot retail building. The demolished bank will be replaced with a slightly larger bank building, 3,600 square feet, which would be located further to the north along the Rockville Pike frontage of the Property. In addition to the two pad sites, the following modifications are also proposed:

- Provide significant perimeter and internal landscaping well in excess of the green area requirement.



- Improve the existing Shopping Center structure by providing a new roof, new signage and improving the façade.
- Improve access into and out of the Center by constructing a right-of-way along Rockville Pike.
- Improve the frontage along Rockville Pike and locate the buildings in such a manner to accommodate the future Rockville Pike right-of-way.
- Reconstruct the Rockville Pike sidewalk to add landscaping and relocate it further from the curb.
- Provide lead sidewalks from Bou Avenue adjacent to the retail pad and from the Rockville Pike adjacent to the bank pad.

Additionally, the site is currently zoned for C-4 which allows for a density of a matter-right density of 0.25 FAR. The Zoning Ordinance Section 59-C-4.378 of C-4 permits a maximum density of 0.75 FAR which is permissible by the Optional Method which requires Site Plan review. The proposed development of an additional 7,600 square feet on the Property results in a 0.28 FAR and would thus necessitate the subject Site Plan approval.

### **C. Approach**

The approach is to phase in the development on the site as mentioned above, timed with the development of the proposed, by the City of Rockville, Rockville Pike Corridor proposed development. Zoning and demographics are consistent with this approach for development. There are five principal factors that influence and support the approach:

1. The proposed Rockville Pike re-development.
2. The opportunity supported by a pro-Metro-centric development environment within Washington, D.C., Regional Economic Planning boards and those in the development community in the surrounding counties.
3. The economic drivers of the Rockville area, especially the desired location on Rockville Pike as Rockville Pike are one of the top retail destinations in the country.
4. The reaches of development north along the Rockville Pike which has a premium on land for retail development for those locations closer to D.C.
5. Supportive political interest in re-development along Rockville Pike for a higher-end use. This is within context of renewed success in the political-economic revitalization of the Washington, D.C. city-limits and the continued outward growth expansion into Montgomery County.

Additionally, population demographics such as household income levels in the immediate and “feeder” areas including Rockville and North Bethesda, percentage of residents that own versus rent, the prime commuter location at the red line terminus, conservative estimates for capture and absorption rates, to name a few drivers, support this staged development plan.

Due to the current trend of developing more environmentally healthy buildings, the buildings would be designed to achieve a LEEDS ND rating and to achieve a LEEDS certified status. By doing so, this would increase the value and draw to the center. To that end, the buildings would surround plazas and green spaces. The development would

be designed to be viewed as an upgrade and asset to the community. It would add community amenities and be viewed to offer the community added value through positive externalities. The project in the near future would include improved retail facilities and an upgraded, more pedestrian friendly site. These amenities would service both the local residents and local commuters.

## **II. SUMMARY FINDINGS**

This report supports the recommendation above. The economic, social and political environments are consistent with Metro-centric development along major commuter routes within the County. General affordability of this community relative to the land value/rent appreciation in other parts of the same County, plan for revitalization and redevelopment of Rockville Pike and the close vicinity of two Metro stations, the center has not been redeveloped in more than 20 years, and that Rockville Pike is one of the top retail destinations in the country; the confluence of which represent significant development opportunity.

## **III. ECONOMIC OVERVIEW AND DEMOGRAPHICS**

### **Introduction**

The proposal is summarized here to place it in juxtaposition to the national, regional, county and local economies. Given the mix of residential, rental, condominium, and convenience commercial, the national, regional and local market economies have been examined.

The property is a one-story retail center located at 12101-12151 Rockville Pike, Rockville, Maryland. The property consists of 73,692 square feet. Currently there are three main buildings, which consist of a 1,860 square foot Shell gas Station, 2,000 square foot United Bank building, and the remaining in-line retail stores. The center is located in Montgomery County, Maryland just off of Rockville Pike. The entire site is about 6.84 acres or 297,950 square feet.

I recommend that Pike Center should be redeveloped as the local infrastructure and zoning allows maximizing the use of the site financially as well as adding value to the area. The property currently has a dated appearance and is mostly a sea of asphalt with very little landscaping. The required infrastructure and zoning appears to be consistent with the economic and political environment.

## **A. National Economic Overview**

The US Census Data Economic Indicators<sup>1</sup> supports the Delta Report<sup>2</sup> opening statement, “The U. S. Economy continues its six-year expansion, but robust growth has been replaced with mixed signals.” GDP growth is up 2.1% to 2.3%<sup>3</sup>. Many of the leading economic indicators such as international trade, Wholesale Trade Sales and Inventories, Manufacturers Shipments and Inventories, etc. show moderate positive change while there have been significant downturns in the housing sectors (see Appendix Table 1.) Revenues across selected services however are stable or increasing at moderately increasing rates (Appendix. Table 2.); however, at rates similar to 2005.<sup>4</sup>

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<sup>1</sup> U. S. Census Report, February 2007, [www.census.gov/cgi-bin/briefroom/BriefRm](http://www.census.gov/cgi-bin/briefroom/BriefRm)

<sup>2</sup> Delta Report, Delta Associates, First Quarter 2007, Alexandria, VA. [www.DeltaAssociates.com](http://www.DeltaAssociates.com), Page 1.

<sup>3</sup> Bureau of Labor Statistics as reported by The Delta Reports, First Quarter 2007.

<sup>4</sup> Ibid, p.5.

During this same period new home sales declined by 15.8% in January of 2007, as compared to 2006, the again by 3.9% in February. Nationally, Housing Starts and Building Permits declined as well in January 2007 by 15.8%. In the market for residential real estate, indicators of construction and home sales have continued to be weak. New home sales are well below last year's sales.<sup>2</sup>

Against this national economy with a softening housing market, homeownership has remained at approximately historically high rates, 69% of the population; the same rate initially achieved in 2003/2004.<sup>5</sup> The range of homeownership ranges by 8.4%, between those living in central cities and in the suburbs of central cities 67.3% to 75.7%.<sup>6</sup>

According to the Bureau of Labor Statistics, and as reported by Delta Associates other economic factors which will impact the nation include: no expected interest rate changes at least until summer, with the interest rate on a conventional 30 year fixed mortgage at approximately 6.14%. Inflation has been at 2.1% for the past 12 months. Oil prices per barrel have nearly doubled since 2003 to an average of \$65.10 / barrel as of February 2007. Fuel remains an inflationary factor due to the instability in the MidEast and strong global demand.

"We expect the U.S. economy will expand during the balance of 2007, although decelerating job growth and geopolitical uncertainty should act as a drag on GDP growth. The policies of the Federal Reserve should keep inflation manageable. The key factors affecting national economic performance are likely to be fuel prices, the housing market, and geopolitical events."<sup>7</sup>

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<sup>5</sup> U.S. Census Bureau Housing Vacancies and Homeownership Annual Statistics.  
<http://www.census.gov/hhes/www/housing/hvs/annual04/ann04t12.html>

<sup>6</sup> Ibid.

<sup>7</sup> The Delta Report, First Quarter 2007, by The Delta Associates, Alexandria, VA. 2007. Page 5.

However, in 2008,”the nationalist economists have been reporting that the national economy is in or near entering a recession.<sup>8</sup> Although the national economy is tending toward a recession, the Washington metro area still remains a strong area for job stability and is a strong market for retail and smart growth.

## **B. Regional Economic Overview – Maryland, Virginia and D.C.**

The Washington D.C. Metropolitan Area continues to experience low unemployment rates, average 3.4% relative to the nation. Unemployment in Virginia is at 2.3%, Maryland, 3.8% and the District of Columbia at 5.6%.<sup>9</sup> This region experienced 49,900 growth in employment in 2006, and 49,800 in the 12 months ending January 2007.<sup>10</sup> (See appendix, Table 3.) Virginia captured 45% of the job growth, Maryland 40% and DC, 15%. (See appendix, Table 4.) The slowing of the job growth in this region is believed to be due to the, “reduced Federal procurement spending that began in 2005.”<sup>11</sup> Unemployment continues to remain the lowest in the nation and employers are finding a market with a tight labor pool. The Washington area unemployment rate was 3.2 % in February 2007, which was up from 3.1% one year prior to this. The Washington rate has exhibited great stability by remaining steady at below 4% since August 2004 according to the Delta Report 2007.<sup>12</sup> Even though the economy is experiencing distress, the Washington area should continue to stay healthy although at a much slower pace than experienced in 2004. According to Dr. Stephen Fuller, of George Mason University, as quoted by Delta Associates, “We project 44,500 new payroll jobs will be

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<sup>8</sup> Economic Overview, Market Outlook 2008 , Michael Bender

<sup>9</sup> Delta Report and Bureau of Labor Statistics, Employment and Unemployment Information [www.bls.gov](http://www.bls.gov)

<sup>10</sup> Ibid

<sup>11</sup> Delta Report, Delta Associates, Alexandria, VA, First Quarter 2007, Page 7.

<sup>12</sup> Delta Report and Bureau of Labor Statistics, May 2007, Employment and Unemployment Information [www.bls.gov](http://www.bls.gov)

created in the Washington Area in 2007. In 2008 job growth will rebound to 52,000 and again in 2009 to 51,200.”

In contrast to the nation, the Washington Metropolitan Area, a leader in job growth in the nation, experienced job growth at 49,800 for the 12 months ending January 2007. This is approximately half that of Los Angeles, Houston, Phoenix, Denver, New York.<sup>13</sup> The Washington D.C. metropolitan market is still considered to be a “top performing economy.”<sup>14</sup> (See Appendix. Table 5.)

The Retail inventory for the Washington area has more than 112 million square feet of retail space, inclusive of all types of retail in just over 1,00 shopping centers according to the Delta Report from May 2007. The Washington metro area also has higher square feet of retail space per capita (24.4SF) as compared to the national average of 20.3 SF.<sup>15</sup>

The region’s Gross Regional Product has increased in 2006, 4.0% over 2005 to \$334.8 billion. One-third of this growth was generated by the Federal government. It is expected this growth will ease. Estimates place new job creation at 7K per \$1 billion of additional Federal contract spending.<sup>16</sup>

## **C. County Economic Overview – Montgomery County**

### ***1. Introduction***

Montgomery County is comprised of a 497 square mile area surrounded by suburbs.<sup>17</sup> It is served by highly traveled commuter routes, I-270 and the Washington D.C.

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<sup>13</sup> Bureau of Labor Statistics as reported by Delta Associates, Alexandria, VA. First Quarter, 2007.

<sup>14</sup> Delta Report, Delta Associates, Alexandria, VA. First Quarter 2007.

<sup>15</sup> Delta Report and Bureau of Labor Statistics, May 2007, Employment and Unemployment Information [www.bls.gov](http://www.bls.gov)

<sup>16</sup> Ibid.

<sup>17</sup> U.S. Dept. of Transportation, Toolbox for Regional Policy Analysis, <http://www.fhwa.dot.gov/planning>.



Beltway, I-495 in addition to public transportation, rail and bus. Montgomery County is part of the fifth largest metropolitan area in the United States, with an expanding population of 5.4 million.<sup>18</sup> It provides a highly educated work force. 54% of the County Residents over the age of 25 hold college degrees, 27% of them are with advanced degrees<sup>19</sup>. Montgomery County has unemployment rates below that of the State. As late as May, 2006, it reported a 2.8% unemployment rate as compared to 3.8% in the State of Maryland.

## ***2. Critical Issues for Montgomery County***

Three key areas identified as critical to the continued success for Montgomery County's economic development include: 1. the ability to continue to attract a highly skilled work force, 2. affordability of housing and 3. the easing of road congestion. To this end, there are continued investments in education and incentive programs for schools, incentive programs for taxation and business development, incentives to attract corporate interest, encourage the growth of small and medium sized businesses, and to attract foreign investment to Montgomery County.<sup>20</sup> The transportation problems are under scrutiny and public policy is being developed by the Federal Highway Administration and the Department of Transportation, in conjunction with the Maryland – National Park and Planning Commission objectives for zoning.

Pike Center addresses these critical issues by providing metro-centric development, redevelopment for a more pedestrian, aesthetically pleasing retail and

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<sup>18</sup> 2002 <http://www.montgomerycountymd.gov>. "Discover the Ideal Location for Your Business."

<sup>19</sup> 2002 U.S. Census as restated in Report Card from the Montgomery County Department of Economic Development, September 2006, p. 7.

<sup>20</sup> State Dept. of Assessments and Taxation and the Montgomery County Dept. of Economic Development, <http://www.montgomerycountymd.gov>

environmentally sensitive development. Additionally, the retail supports local employment, both for unskilled and skilled employees as well as draws commuters and shoppers to the area.

### ***3. Population Characteristics***

#### ***a. Gender***

The population of Montgomery County in 2000<sup>21</sup> was reported as 873,341. It is estimated this will grow by 10.5% by 2010<sup>22</sup>. While it is estimated that the influx of males will be at an increasing rate to females, females will still outnumber males by the year 2010 by approximately 30,000 residents (see Appendix, Table 6 and 7).

#### ***b. Race***

As of 2000, the population is primarily comprised of Caucasian (565,719), Black or African American (132,256), Hispanic or Latino of any race (100,604) and Asian (98,651)<sup>23</sup>. It is expected that in 2010, while the overall population of Montgomery County will expand by 91,698 it will represent a different mix than in 2000. The Hispanic population is expected to grow by approximately 56K, the Asian by 46K and the Black/African American by 27K (see Appendix, Table 8)<sup>24</sup> while it is extrapolated that the Caucasian population will decline by comparison.

#### ***c. Age***

As of 2000, the median age of Montgomery County was measured at 36.8. The Census Bureau estimates the median age in 2005 to be 38.3 and to be 39.9 years of age in 2010, through extrapolation (see Appendix, Table 9 and 10.) This is the age where wage

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<sup>21</sup> 2000 U.S. Census Bureau for Montgomery County, MD. <http://factfinder.census.gov>

<sup>22</sup> Data extrapolated from Growth rate for 2000 to 2005 data from the 2000 U.S. Census Bureau.

<sup>23</sup> 2000 U.S. Census Bureau data.

<sup>24</sup> Extrapolated from the rate of change between the 2000 and 2005 U.S. Census Data and 2005 estimate.

earners are entering their most lucrative periods of their careers. In a county that already enjoys comparative wealth to not only the state but nationally, it would appear Montgomery County is positioned for this trend to continue.

Approximately 75% of the population is 18 years of age or older. 25% of the population is either under 5 years of age (6.9% as compared to the national average of 6.8%) or 65 years or older (11.2% in Montgomery County as compared to the national average of 12.4 %).<sup>25</sup> Similar statistics are estimated for 2005 and extrapolated for 2010. Where is the population growth in Montgomery County coming or migrating from? The growth exceeds the birth rate, and even more so when considering attrition.

*d. Income*

In 1999, the median household income was \$71,551. In 2005, the median household income is estimated to be \$82,187 (adjusted for 2005 dollars.) In 2010, it is estimated to continue to rise to \$94,404. In 1999 dollars, the per capita income is reported at \$35,684 versus \$21,587 national per capita income, or 65% higher than the national norm. Consistent with the robust earnings in Montgomery County as compared to the national norms, families below the poverty level are significantly lower, 3.7% of the families versus 9.2% nationally. 5.4% individuals in Montgomery County are below the poverty level versus 12.4% of the national population.<sup>26</sup> This trend is expected to continue for Montgomery County, through to 2010.

*e. Employment and Commute*

In 2000, of the population 16 years of age or older, 70.7% are in the labor force, representing a population of 477,123 residents. Of the employed workers, 68.9% drive to

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<sup>25</sup> 2000 U.S. Census Bureau data.

<sup>26</sup> Ibid.

work alone, 10.9% carpool, 12.6% use public transportation, 4.8% work from home, and 1.9 % walk. Median commute time in 2000 is 32.8 minutes.<sup>27</sup> This low a commute time suggests a large resident population that lives and work within the County. The average commute time is not estimated to significantly increase in 2005, or in 2010, based solely on the census data. However, references to other sources may suggest more of a problem with considerable commutes.

*f. Occupation*

Employment in Montgomery County reflects the higher than national averages in higher education. 56.6% of the employed population is in managerial, professional or related positions. 22% are in sales and office occupations, and 11.5% are in service occupations. The remaining 9.9% are in farming, fishing, forestry, construction, extraction, maintenance, transportation, production and material moving occupations. The three largest areas of participation in industry include: Educational, health and social services (19.9%), Professional, scientific, management, administrative and waste management services (19.6%), and Public administration (10.1%). This trend is likely to continue through to 2010.

***4. Implications for Metro-centric Development***

Commute time is considered a priority by the Department for Economic Development for successful growth in Montgomery County. The Highway Mobility Report, in June of 2006 details intersections and areas where congestion is measured to be the worst. In this report, it is stated, “vehicle-miles traveled (VMT) and vehicle-hours traveled (VHT) are anticipated to increase by 20.6% and 25.8% respectively.” It is also

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<sup>27</sup> Ibid.

reported, "State and County capacity improvements such as road widening, new roads (i.e. the ICC) and interchanges will help to account for a 10.2% increase in the County's total lane-miles by the end of 2010 relative to the base year (1998)." Congestion during peak commuting hours remains extreme. A recent study, published by the U.S. Dept. of Transportation, Federal Highway Administration, reports: As a result of rapid growth and development, the county is facing numerous transportation challenges. These include freeways that are heavily congested during peak periods; local roads that are increasingly unable to cope with traffic demands, especially for cross-county (east-west) movements; and limitations in transit service to a number of major activity centers."

Given the continued congestion and longer commute times on I-270, and I-495, employment centers within the County or easily accessible to public transportation, are likely to be more attractive to potential employees. Development parcels available on the I-270 corridor, and development plans in the works around the Shady Grove and White Flint Metro facilities<sup>28</sup> like that of Ballston in VA<sup>29</sup>, with heightened residential and mixed-use density will place commuters in walking distance to the Metro and is more likely to be sanctioned by zoning. The Maryland-National Capital Park and Planning Commission produced their vision of Housing and Jobs in the Year 2020 by Traffic Zones (See Appendix, Table 11.) This supports the concept of develop along transportation corridors.

Montgomery County, Department of Economic Development defined as a second area of concern, the need to continue to attract highly skilled workers to the area. With the development of the IT and the concentration of biotechnology firms, it is hoped

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<sup>28</sup> MD National Capital Planning, [http://www. Mc-mncppc.org/](http://www.Mc-mncppc.org/)

<sup>29</sup> Washington Post Newspaper, Front Page, Sunday, February 18, 2007. "Could This Be the Future of Tysons?"

through clustering, more will be attracted to the area. “The bioscience industry is projected to reach \$24 billion in U.S. sales by 2006. Our high-tech jobs are growing twice as fast as those of the state and nation.”<sup>30</sup> It is reported further, that Montgomery County anchors the third largest cluster of biotech firms in the United States. It is attracting foreign interests in this area as well. Approximately 110 foreign companies have established home base as Montgomery County accounting for 15,000 employees. Export companies account for 38,000 jobs and over \$68 million in state and local revenue. It is reported that 2000 IT firms are located in Montgomery County, which is “second only to Silicon Valley in terms of concentration of work force.” The presence of these employers is further buttressed by the existence of world renowned federal institutions such as NIH, NIST, NOAA, FDA, HHS, and 14 other federal agencies that generate over \$3.14 billion annually in contracts for Montgomery County based firms. 350 Associations are located in Montgomery County. Recently Johns Hopkins University and University Maryland located research campuses in Montgomery County. The Montgomery Department of Economic Development reports an increase of 20,000 jobs per year. As well, fiscally sound, Montgomery County has earned a “AAA” rating from all three rating services for the past 28 years.

What does all this mean for development in Montgomery County, beyond that which has been addressed with regard to population trends? Land and property prospects for development will come with barriers to entry, presented with high price tags; requiring substantial access to capital and making the more affordable parts of the County desirable for development. There is a comparatively large supply of capital from the robust economy, and relatively wealthy and educated resident base. Continued clustering

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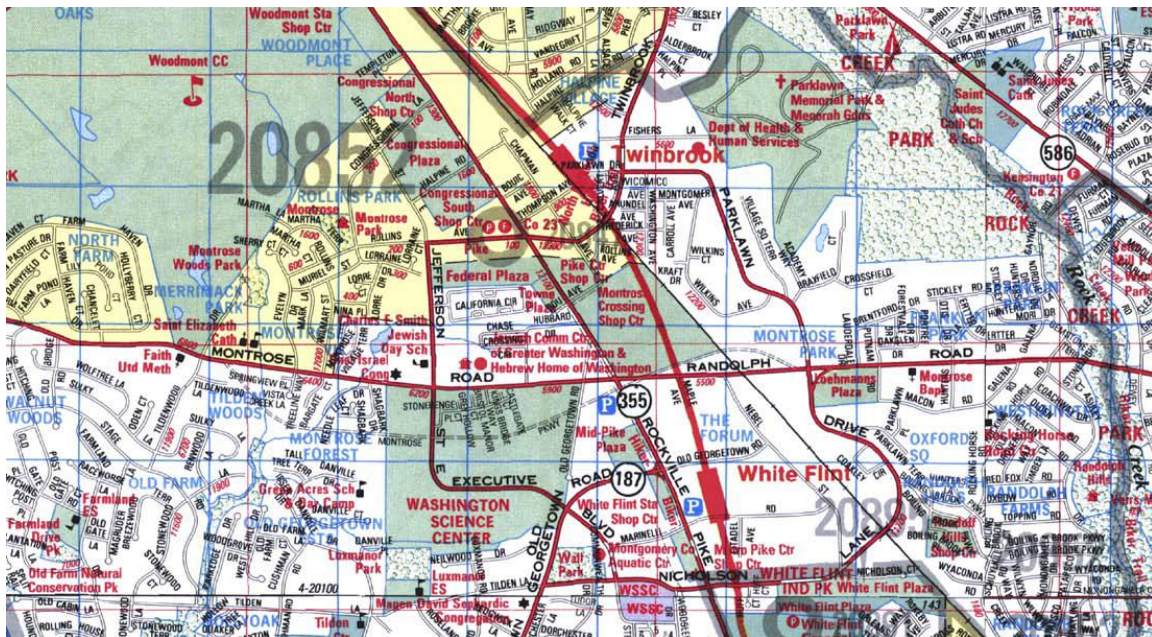
<sup>30</sup> <http://www.montgomerycountymd.gov>. Department of Economic Development. 2006.

of firms will strengthen the position of Montgomery County as an employment center. Commutes will continue to be a challenge. It doesn't appear that a 10% commitment to widening existing routes and adding interchanges, even with the ICC will alleviate the expected growth in Montgomery County. The third goal of affordable housing will also continue to be a challenge, as business centers push outward. The highly skilled work force, with its increasing median household income, will be able to bid up the surrounding neighborhoods with the desired externalities, surrounding the ones that become priced out of range. This will continue to drive up the cost of that which was once affordable. Affordable housing will more likely come from: 1. Federally mandated programs, 2. *Highly dense, relatively small units clustered around Metro Centers* or commuter carpool lots off of I-270, 3. In pushing the boundaries of an acceptable commute to outlying areas, perhaps, outside of Montgomery County, or 4. The less desirable "back side" of mixed use developments. As development spreads down the 270 corridor, this is a likely scenario. *As well, infill development opportunities will exist near major transportation routes and interchanges, as lesser developed, or lower economic areas around the I-495 beltway hub and its spokes, avenues that service Montgomery County, become more viable for development due to their proximity to employment centers and public transportation.*



## D. Local Economic Overview – Rockville, Montgomery County

### 1. Introduction



### Demographics

Population	Avg. Income
1 Mile 20,290	\$86,313
3 Mile 137,041	\$106,596
5 Mile 317,929	\$119,268

### Traffic Counts

62,827 vehicles daily

Rockville is located about 12 miles northwest of Washington D.C. It is the fifth largest city in Maryland and is the county seat of Montgomery County. It is a primarily residential community comprised of 60.5 % single family, detached housing. According to the U.S. Census, the city had a population of 58,706, making it the third largest city in Maryland. There has been much development and planned development in the works for Rockville and the surrounding submarkets of Twinbrook and White Flint, including the creation of the Rockville Town Center, proposed redevelopment of Rockville Pike,

Twinbrook Station and White Flint market. It is a highly diverse community, differing in several categories than that of the national averages. Home values range between \$200,000 to \$600,000, and 67% of the rents are between \$750 and \$1,499 per month. This represents a significant opportunity for developing a higher-end market, or at least rent retail that would be more commensurate with that found in prime locations, such as retail with easy access to transportation.

## ***2. Critical Issues for Rockville, Montgomery County***

The City of Rockville is in the process of adopting a new redevelopment plan for Rockville Pike as well as for the submarkets of Twinbrook and White Flint. The limited if any vacant land located along Rockville Pike and the strong economics of Rockville make existing shopping centers extremely attractive especially those such as Pike Center which have not under gone updating the site in more than 20 years. The opportunity cost in not realizing the potential economic gains from maximizing these tax income and development opportunities, realizing higher land values and rents, zoning for the benefit of the community amenities externalities, and affordable housing become the challenges as Rockville moves forward.

## ***3. Population Characteristics***

The population of the City of Rockville, around Pike Center is 351,738 in a 3-mile radius. The population is estimated to grow to 365,017 by 2012 according to the U.S. Census Data which suggests that there will be some growth which is especially

favorable being that this is a transit area this shows that this area has definite growth and stability.

*a. Gender*

The population in Rockville was evenly split between male (47.9%) and female (52.1%).

*b. Race*

The population of the Rockville area is predominately Caucasian at 63.9%, following with Asian and Black at 12.8% and 12.4% respectively. This is similar to the U.S. with 75.1% Caucasian, Rockville was not highly diversified area in terms of population.

*c. Age*

The largest age groups are ages 45-54 with 15.7%, ages 35-44 with 13.9% , ages 25-34 with 10.8% and ages 5-14 with 12.8% according to the U.S. Census Data 2008. The percentage of married couples is 53.6% with single status being at 26.6%. This suggests that there are families with young children as well as a high percentage of young professional individuals in the area.

*d. Income*

The annual household income in the Rockville area is \$124,453 with the largest group earning over \$150,000+ at 25.3% of the population; and about 16.4% is between \$50,000-\$74,999. The average household income is \$124,453 and is predicted to increase in 2012 to \$142,955. The average household income has increased from \$99,601 in 2000. Almost 50% of those who are paying rent in Rockville, are spending between less than 15% to 24 % of their household income. (See Appendix, Table 16.)

*e. Housing Unit and Household Size*

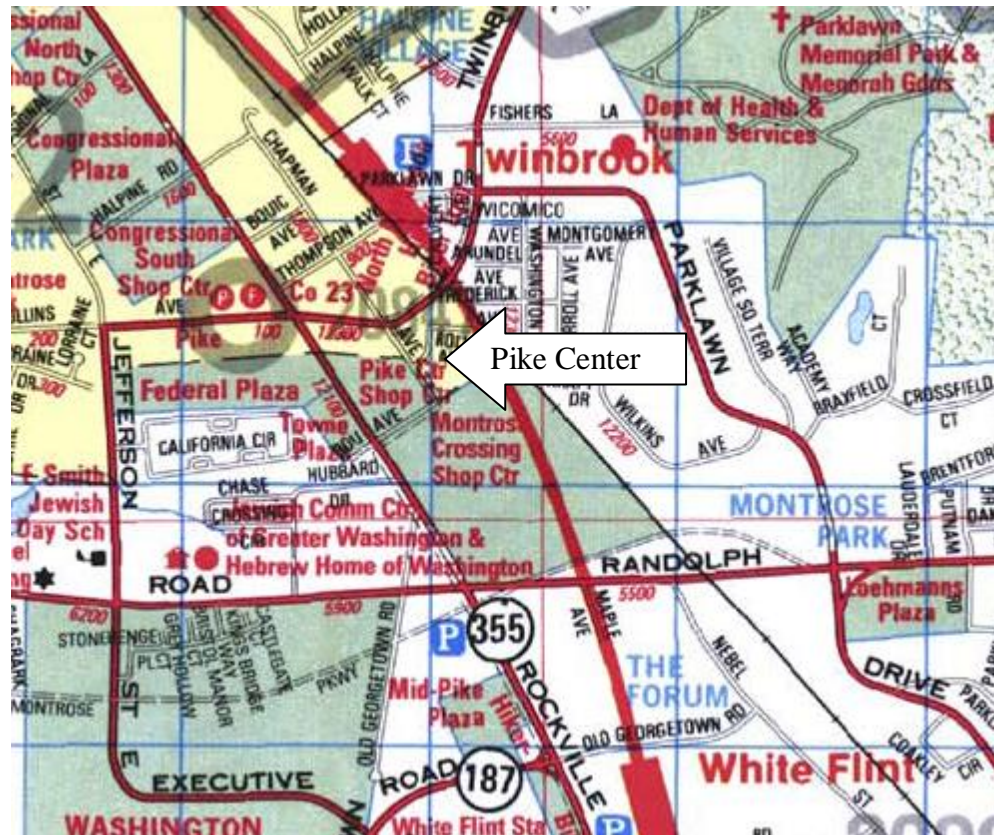
In 2008, there are 9,236 housing units in the 1 mile radius around Pike Center, in Rockville. In 2008, in this area, there are 58.9% owner occupied housing units and 35.2% are renter-occupied. This is relatively consistent with the U.S., 66.2% owner-occupied and 33.8% renter-occupied.

*f. Type of Housing Unit*

Appendix, Tables 12 and 13 provide the statistics for the housing by the number of rooms and for the distribution of the number of units in the structure. Appendix, Table 14, provides the years the structures were built. It is apparent from this U.S. Census Data, that the majority of residential housing units in Rockville were built between 1950 and 1969. A significant amount of housing was built in 19 years, representing a growth in the area. In the ten years preceding 2000, from 1990 onward, there was a growth of houses built which was in line with the growing demand of housing at this time. In addition to population growth, some demand must be attributed to obsolescence or friction in the market, as families grow and decline and require moving to meet changed needs. 51% of units were 1-unit, detached structures.

## IV. SITE CHARACTERISTICS AND NEIGHBORHOOD CONTEXT

### A. Location

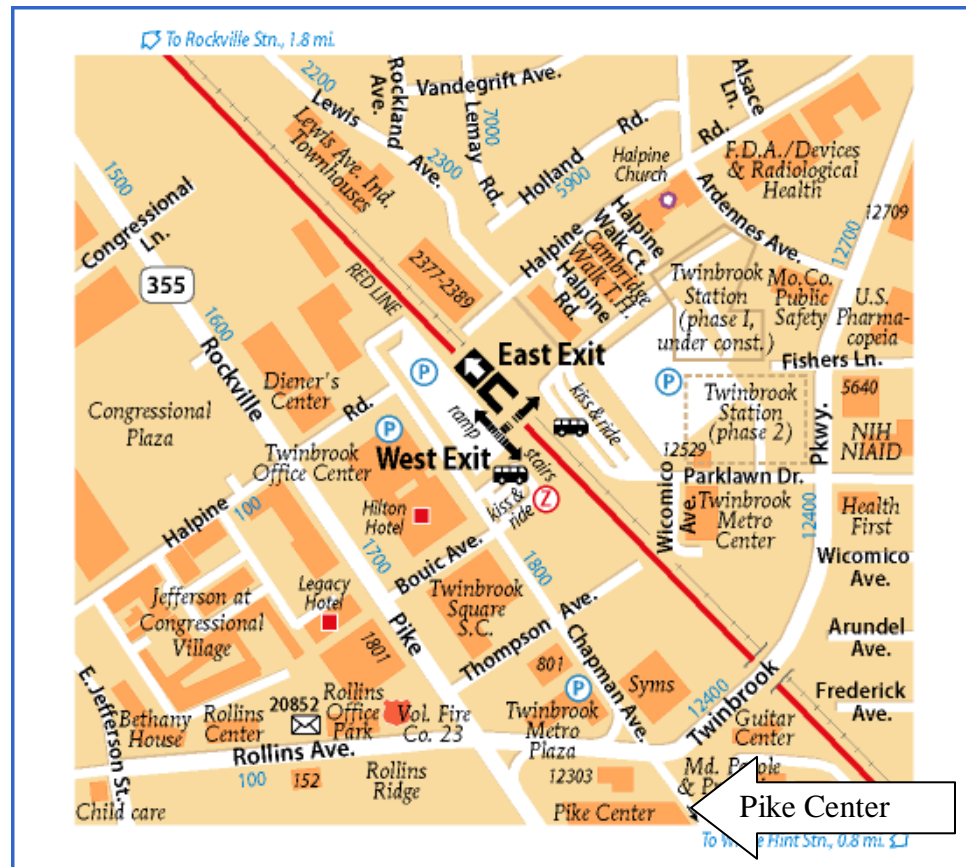


Pike Center is located on Rockville Pike, in Rockville Maryland. The site is located along Rockville Pike and Bou Avenue. The property is located within the Montgomery-National Capital Park and Planning Commission, MNCPPC, 1992 North Bethesda Garrett Park Master Plan area, but just outside both the adjacent Twinbrook sector Plan and the White Flint sector plan boundaries. As such, there are no specific recommendations or guidelines for this Property. However, because of its location directly on Rockville Pike and in such close proximity to Twinbrook and White Flint



Sector Plans, there is a definite need for revitalization of this center in order to maximize the value as well as enhance the area.

## B. Neighborhood Context & Competition Survey

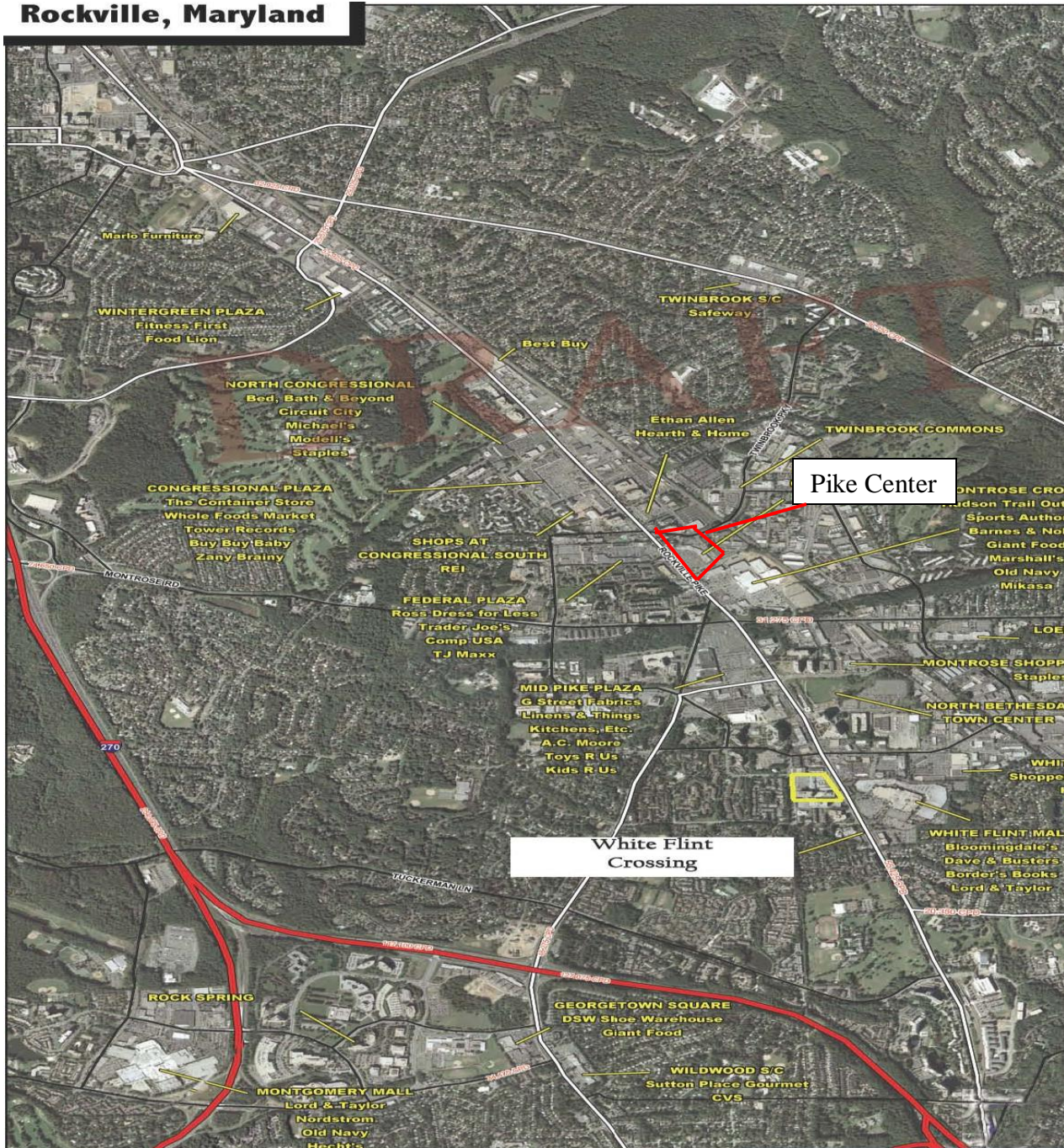


Pike Center is within close proximity of the following public amenities:

1. The Twinbrook Metro Station is located on Chapman Avenue to the south;
2. The White Flint Metro Station is one metro stop from Twinbrook to the north

## Surrounding Retail

### Rockville, Maryland





## MARKET RESEARCH/COMPETITION SURVEY

Shopping Center	Anchor(s)	Other National Shops	Landlord
<b>Rockville Town Square</b>	Magruder's, CVS, MC Public Library	SBUX, Lebanese Taverna, Chevy Chase Bank	Federal Realty
<b>Congressional North</b>	Staples, Circuit City, Bed Bath & Beyond, Petco	Hooters, SunTrust	Congressional Realty Group
<b>Congressional Plaza</b>	Buy Buy Baby, Balducci's (WFM), ULTA, Container Store, Tower Records	Performance Bikes, Baja Fresh, SBUX, Noodles, Chevy Chase Bank, Aaron Brothers, Ann Taylor Loft, Chico's	Federal Realty
<b>Shops at Congressional Village</b>	REI, Storehouse, Rockaway Bedding, Healthy Back Store	Fronting Congressional Interior Verizon, Healthy Back	Congressional Realty Group
<b>Pike Center</b>	Offic Depot, Cosmetic Center	TGIFriday's, Carpets, CiCi's Pizza, United Bank, Bagels	Dweck
<b>Federal Plaza</b>	TJ Maxx, Trader Joe's, Comp USA, Dollar Tree Ross Dress For Less, Annie Sez	Panera, Lane Bryant, Bennigan's, Ruby Tuesday, Penn Camera, Sprint	Federal Realty
<b>Tower Center</b>	Houston's	AT&T, Fitness First, Elase	Lerner Enterprises
<b>Montrose Crossing</b>	Target, Giant Food, Sports Authority, Barnes & Noble, Mikasa,	Tara Thai, SBUX, Chevy Chase Bank	Giant Food

	Hudson Trail, Marshall's		
<b>Montrose S/C</b>	Staples, Gold's Gym	Marvatots, Pet Hotel	Congressional Realty Group
<b>Mid-Pike Plaza</b>	Toys R US, Linens N Things, World Market, AC Moore, Bally's, Filene's Basement, CVS, G Street	Silver Diner, Chipotle, SBUX, Quizno's, Great American Bank, Le Madeleine, Beauty First	Federal Realty
<b>White Flint Station</b>	N/A	Manhattan Bagel, Asylum WakeSkate, X3O, Papa John's	Greenberg
<b>White Flint Plaza</b>	Shoppers Food Warehouse, HomeGoods, PetSmart	Nextel, Vie de France, Davidson, 1- 800 Luggage	Combined Properties
<b>White Flint Mall</b>	Bloomingdales, Borders, Lord & Taylor, Loew's Cinema, Dave & Busters	American Eagle, Ann Taylor, Banana, Cheesecake Factory, Dave & Buster's, GAP, H&M, PF Chang's, Pottery Barn, Williams Sonoma, Talbots	Lerner Enterprises

### **C. Zoning and Density**

*The center should overall be moderate to high density.*

The center is currently zoned C-4, which permits a maximum density of 0.75 FAR and 35% lot coverage under the optional method. The Pike Center is presently at a 0.25 FAR and 25% lot coverage. The difficulty with the site is that there is a maximum lot coverage of 35%, therefore in order to achieve a 0.75 FAR, there would need to be a second story retail which is not as valuable in terms of leasing and rentable space as compared to the cost of redeveloping the site with two stories of retail. Also, the site is constrained by parking. Furthermore, the additional square footage proposed requires a 13% parking waiver from the planning board and might prove difficult to obtain. However, the Site Plan approval board seems to favor the additional density and seems likely to approve a parking waiver. The site is ideally suited for a high density transit-oriented mixed use project in the future. However, due to the current market and state of the economy, redevelopment on a smaller scale is recommended.

The location's close proximity to the metro station on the red line will allow residences the opportunity to walk to public transportation for their daily commute to work and likewise will allow consumers to visit the retail stores in the same manner eliminating potential vehicle use on surrounding streets including MD 355. The addition of retail space to surrounding office buildings and residential neighborhoods, including a bank and destination retail, will allow the site to be an active environment at all times of day and into the evening.

## **D. Design**

*The design of the center should be of high quality and should respect the visual character of the surrounding area.*

The redevelopment of Pike Center is designed to relate to and integrate with the surrounding community and not create an isolated enclave. The project visual character will respect and make a positive contribution to the surrounding community. The project will include street trees, inviting street frontage, and attractive street lighting, so that pedestrians will feel safe and are buffered from traffic while the retail is inviting. The project is designed to integrate the surrounding neighborhoods in many ways. Bringing additional pad sites closer to the street along Rockville Pike would allow for a more pedestrian friendly appeal to the site.

The project will also have new tree lined sidewalks along Bou Avenue and Rockville Pike in order to create a more pedestrian friendly environment.

## **E. Transportation, Mobility and Accessibility**

*The redevelopment should offer alternatives designed to reduce dependency on single occupancy vehicle use.*

Pike Center is located within close proximity to the White Flint Metro Station on the red line and to Twinbrook Metro Station and is in close walking distance of residential neighborhoods, office buildings, and other retail sites. Pike Center is designed and located within a reasonable distance from transportation options and other land uses to encourage residents and workers to walk or bike from school, parks, shops, and services and to use public transit.

There will be safe and direct pedestrian and bicycle access through well-marked cross-walks on site to external areas. The enhancement of Pike Center is designed to highly encourage pedestrian activity between all uses. Wide sidewalks, narrow streets and dense uses provide for and encourage convenient and safe pedestrian travel to all locations in the site.

## **F. Environment**

*The center should be sensitive to existing environmental features and protect natural resources where feasible. Where possible, sustainable design features should be incorporated into the projects design.*

The recommendation is a redevelopment of a developed retail center and parking lot and contains no wetlands, forests, or agricultural lands. The proposal will comply with best management practices for storm water quality and quantity controls. There are no existing streams or stream buffers on or adjacent to the property.

The enhancements will result in an improvement in storm water quality and quantity control and will incorporate green roof technologies for the same purpose.

The projects pedestrian friendly design and proximate location to public transportation will reduce vehicular traffic and exhaust emissions which will help reduce air pollution.

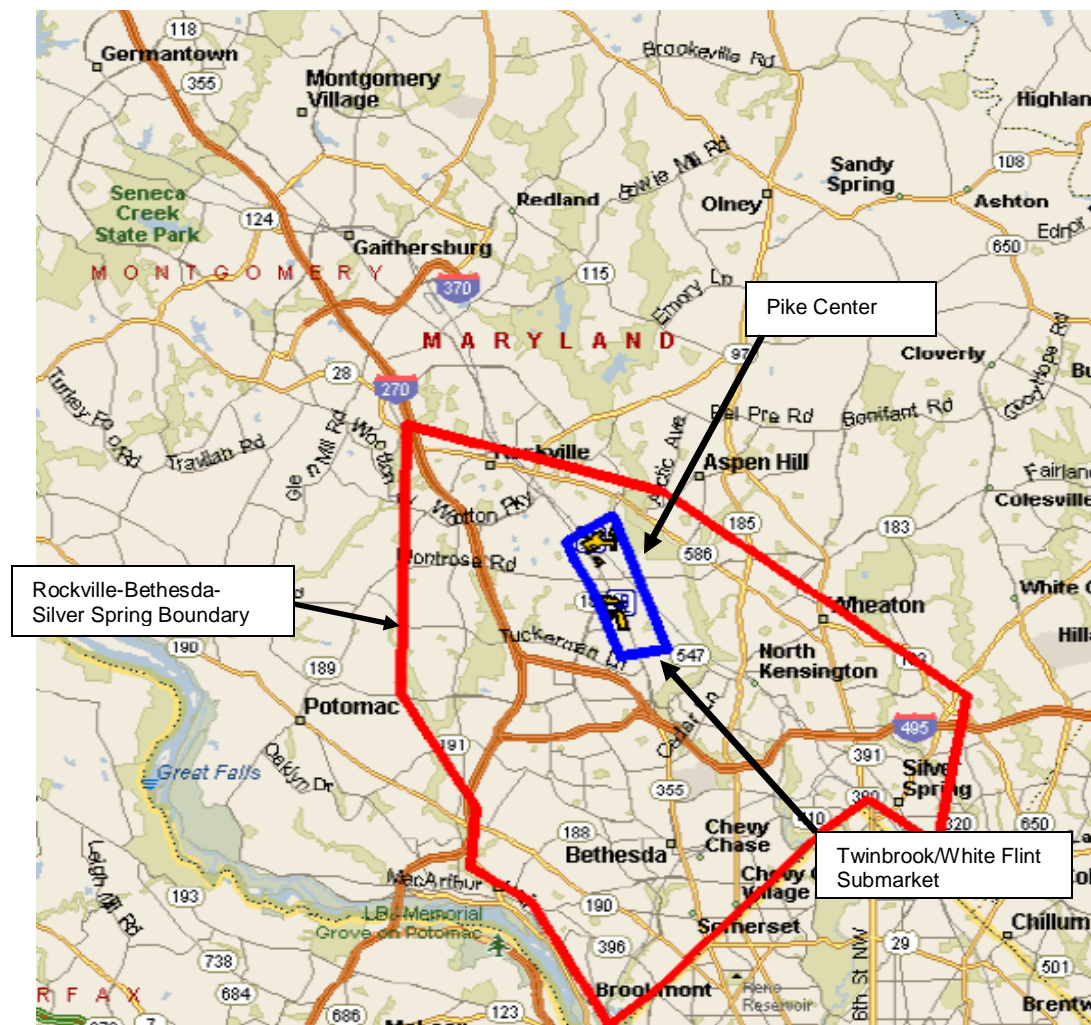
Regarding protection of existing trees, the project currently has very few if any existing trees since it is currently mainly surface parking. Trees will be replaced and many new trees will be added to the site on sidewalks. The development will comply with Montgomery County ordinances for forest conservation.

There will be sustainable design techniques that will conserve and protect water, energy, air quality, and land that will be incorporated into the project. The developer will incorporate many LEED strategies and will investigate the potential to apply for LEED certification.

The contractor will implement a program to reduce construction waste and recycle buildings materials from demolition and redevelopment.

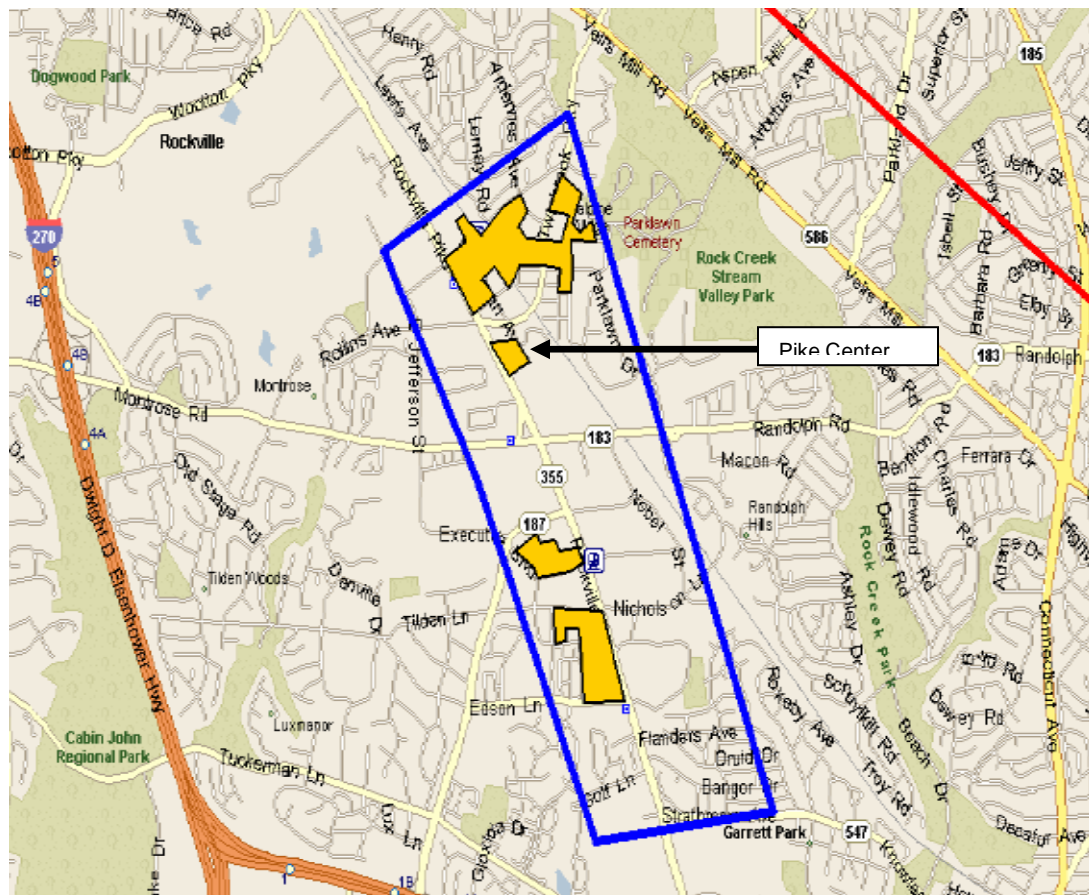
## V. ANALYSIS – DEMAND AND SUPPLY - RETAIL

### DEFINITION OF SUBMARKETS MONTGOMERY COUNTY, MD 2008



RCLCO

**TWINBROOK/ WHITE FLINT SUBMARKET  
MONTGOMERY COUNTY, MD  
2008**



**A. Discussion: Zoning/Plans for Improvement**

Pike Center is located at 12101 Rockville Pike, also known as Parcel “B” Rockville Industrial Park Subdivision, Plat Book 71, Plat No. 6708, on the east side of Rockville Pike, immediately to the south of the Rockville City boundary. The property is currently zoned C-4. The western portion of the Property was rezoned from C-2 to C-4 and the eastern portion was rezoned from I-1 to C-4 by Sectional Map Amendment G-706 in 1993, in accordance



with the recommendations of the 1992 North Bethesda-Garrett Park Master Plan. Based upon Montgomery County Zoning Ordinance Section 59-C-4.371, the purpose of the C-4 Zone is to provide for low-density commercial uses compatible with locations on major roads outside the central business districts. According to the Montgomery County Zoning Ordinance, Chapter 59 of the Montgomery County Code, Division 59-C-4, Pike Center is currently zoned for a Commercial Zone, C-4, Limited Commercial, which allows for a density of a matter-of-right density of .25 FAR. The Zoning Ordinance Section 59-C-4.378 provides that additional density up to .75 FAR is permissible to the Optional Method however, this requires Site Plan review. Also, the recommendation to develop an additional 7,600 square feet in pad sites on the Property would result in a .28 FAR and therefore is subject to Site Plan approval. The Site Plan review process will determine whether each structure and use on the site is compatible with the existing and proposed development according to the MC-MNCPPC. Following the site plan application, approval for the redevelopment of the site is anticipated since the planning staff has already been in discussion about plans for the redevelopment of the site and the staff has acknowledged that this property is ideally suited for a high density transit-oriented mixed use project in the future. The economics of the site limit the plans for a high-density mixed use at this site but allow for additional square footage which would enhance the site and neighborhood context. The Planning Staff has expressed feedback for the additional square footage. Pursuant to the current C-4 zoning, the

redevelopment of the property is limited to retail uses. However, the property actually falls just outside both the Twinbrook Sector Plan area to the east and the White Flint Sector Plan area to the north. This along with Montgomery County's "Revitalizing Centers, Reshaping Boulevards and Creating Great Public Spaces" study (referred to as the Centers and Corridors Study) and in the context of the Rockville Pike Corridor and Twinbrook and White Flint Sector Plan studies that are now occurring, this center is in a prime location for redevelopment. Due to the fact that it is currently zoned for limited commercial retail use and that the new Sector Plans as well as the Rockville Pike Corridor Plan are in the preliminary phases, also being limited by the current market conditions, the recommendation for redevelopment would be to add value to the center by creating a more aesthetically pleasing retail center with some façade work and adding two pad sites to bring the center increased visibility along Rockville Pike and additional income. However, in the future it would be recommended to have the site adapted to fit along with all three plans for revitalization, the Rockville Pike Corridor, Twinbrook Sector Plan and the White Flint Sector Plan, and to petition for creating a mixed use development that would benefit the entire area and realize the true potential of urban design and smart growth.

On September 20, 2005, there was a Zoning Text Amendment No: 05-12 concerning the C-2 Zone Amendment. This was an amendment for the purpose of: "creating a special development procedure in the C-2 zone to

encourage transit related development at sites within walking distance of a Metro Station.” Additionally, a new section to Division 59- C-4, was added Section 59-C-4.358, “Special Development Procedure for Transit-Oriented Mixed Use Development”. According to the Amendment, “ the Special Development Procedure is intended to facilitate the effective development of properties within walking distance of a transit station with residential and non-residential land uses that will promote and serve transit ridership.”

On June 10, 2008, Zoning Text Amendment No:08-13 concerning Transit Oriented Mixed Use was introduced for Division 59-C-4 Commercial Zones for “the purpose of this zone to provide locations for general commercial uses representing various types of retail trades, businesses and services for a regional or local area, Typical locations for such uses shall include: central urban commercial areas, regional shopping centers and clusters of commercial development. A further purpose of this zone is to promote the effective use of Transit Centers and transit facilities in Central Business Districts by encouraging housing with commercial uses within 500 feet of a Transit Center or in close proximity to Metro Stations located in Central Business Districts.”

The proposed development complies with the relevant development standards off Zoning Ordinance Section 59-C-4.37 and Section 59-C-4.378. The proposed redevelopment actually presents an opportunity to bring other components of the Property into conformance, including the green area, setbacks

and parking lot perimeter and interior landscaping, which absent redevelopment would remain nonconforming.

1. Minimum Lot Area- Section 59-C-4.378 provides that optional method of development shall not be permitted on a lot or parcel of less than two acres.  
The property contains 6.8 acres.
2. Development Density- Section 59-C-4.378 provides that additional density up to 0.75 FAR may be permitted upon a finding that the additional density would be compatible with the intensity of the surrounding existing and planned land uses and would not have an adverse impact on the existing and planned public facilities in the area, as well as would be in accordance with the land use recommendations and guidelines of the applicable Master Plan.  
The proposed density is .28 FAR. Section 59-C-4.378 allows for additional density up to .75 FAR in so far that the additional density would be compatible with the intensity of the surrounding existing and planned land uses and would not have an adverse impact on the existing and planned public facilities in the area as well it must be in accord with the land use recommendations and the guidelines of the applicable Master Plan. The additional density is compatible with the existing and planned land uses.  
Within the surrounding areas, the land uses consist of retail, office and residential with comparable or higher densities than the .28 FAR proposed for the site. The densities of the surrounding sites adjacent to Pike Center are: Montrose Crossing Shopping Center to the south is .35 FAR, Kitts Music center site to the north is .26 FAR, Towne Plaza to the west is .46 FAR and

Federal Plaza to the east is .44FAR. Therefore, this additional density will not threaten the compatibility of Pike Center with the surrounding area. Also, building to a 0.75FAR at this time is not economically feasible as the site is constrained by the 35% lot coverage requirement and the cost for enough density to reach this FAR, including the costs of either structured or underground parking to cover this additional density would not be justifiable economically. Once this property is included in a future sector plan, either Twinbrook, White Flint or Rockville's sector plan, it is likely that an FAR of 1.5 would be available to this site which would then justify the cost of building for a much higher density. However, no such zoning is available for this site and as such the proposed additional square footage remains the recommendation. Furthermore, this redevelopment will not adversely affect the planned and existing public facilities. There is adequate water, sewer and electrical utilities to accommodate the proposed development.

The development will be in accordance with the land use recommendations and guidelines of the North Bethesda Master Plan. The Master Plan does contain some general recommendations and guidelines which are applicable to Pike Center:

1. On p.109, to greatly improve the pedestrian friendliness of new and existing streets, particularly within walking distance of transit nodes, and increase the number of pedestrian and bicycle routes to transit

2. Enhance the streetscape along the length of the Pike, with street trees, plants or berms to screen parking ... and attractive street furniture supporting transit use (p. 121)
3. Provide 134-foot Rockville Pike right -of-way, p. 162. As part of the proposed redevelopment, there will be seven feet dedicated to conform to this recommended right-of-way. Also, the improvements to the center are also proposed to accommodate the White Flint Sector Plan as well.

According to the North Bethesda Sector Plan, Chapter 1, Montgomery County has experienced a rapid rate of urban growth in the past ten years. The Plan states that the “low density, single use and non-integrated character of suburban office-commercial centers and corridors, combined with their tendency to provide abundant free parking, have compelled many workers to become dependent on their automobiles,...and have led to unprecedented levels of congestion.” In an attempt to address this, the Plan recommends more “residential units at all three Metro Stations. Mixed uses with a significant residential component are proposed at Twinbrook and White Flint, introducing a housing element into exclusively commercial areas. The Plan also recommends rezoning property from commercial to residential and recommends residential planned developments in several areas.” Since rezoning to include a residential component is recommended for North Bethesda, Twinbrook and White Flint, Pike Center definitely fits in to all three areas and should be rezoned; which would entail lobbying for inclusion into

one of these plans and talks should begin for a discussion with the Planning Staff; for a mixed use property to conform to the plans of all three Sector Plans as well as the plans for a more urban Rockville Pike. The plan recommends a “mixed use development at Montrose Crossing and an expansion of retail opportunities at Loehmann’s Plaza” which are in close proximity to Pike Center. This also validates the reasoning that Pike Center should have increased retail density and later should be rezoned for a mixed use property. Furthermore, the Plan recommends “improvements to the pedestrian friendliness of streets, particularly near transit nodes” which is reason Pike Center should add additional pad sites along Rockville Pike, enhance the façade and aesthetic of the Center. The recommendation at this time to add more retail and update the aesthetic of the Center is especially because of the current market conditions.

Furthermore, according to the North Bethesda Sector Plan, Urban Design Chapter, Rockville Pike “is dominated by through traffic and traffic resulting from local circulation. The three Metro stops are the focus of transit activity, but Rockville Pike is a hostile environment for pedestrians. In spite of the activity along the Pike and the presence of nearby neighborhoods, there are no focal points for the communities.” According to the plan Rockville Pike corridor contains the opportunity to achieve one of the main goals of the Master Plan which is the creation of attractive transit serviceable neighborhoods. The plan states that Rockville Pike is not pedestrian- friendly as it exists currently. “Existing sidewalks are narrow and are located next to

lanes of moving traffic. Pedestrians must cross large parking lots to reach building entrances and must navigate long crosswalk in conflict with turning vehicles.” The proposed redevelopment of Pike Center will address all of this and create a much more pedestrian-friendly center which caters to the needs of the residents.

Pike Center has not been updated in over twenty years. To enhance the aesthetic of the Center, several recommendations should be considered: a new EIFS façade, new standing seam mansard roof, new gutters and downspouts to match the roof, new painted woodtrim, the existing signboard repainted, new trim to be painted, new up/down wall sconce to be added and consistent at every column, and that the columns be painted. Also, new tenant signs should be applied and they should be consistent throughout the center. There should be a new EIFS façade across Center, and the rest should be new heavy shingle mansard.



**Existing Center:**



### Proposed Updated Center:



#### **b. Pike Center- Demographics - An Attractive Retail Location**

Pike Center is an attractive area in which to redevelop for various reasons. One important aspect is that it has been more than 20 years since the last time any enhancements or improvements have been done.

This is an area that can support additional retail. Rockville Pike is the primary shopping corridor in the area of Rockville according to the retail capture rates (Rockville Town Center Master Plan, Market Opportunities).

First, one has to look at the average household income as well as the rent and sales prices; how many people rent versus own and how much can the people in the general vicinity afford to spend each month on housing. Also, need to look at the demographics in the area. The demographics and the retail capture rates (see V. Section D. Analysis for Retail Capture) support the idea that this area could support new retail development as well as that according to the Market Opportunity of the Rockville Town Center Master Plan analysis, the area of Rockville is a very strong retail market and can support considerable retail space.” The largest age group is between the ages of 45-54 at 15.3% with the 35-44 age group following. These age groups are the Early-Mid Boomers- they are the age groups who are at their maximum earning potential and have saved money and would favor redeveloping and making their current neighborhood more attractive as well as increasing the worth of their housing situation. The next age group is 25-34; this age group is most likely to want a more urban, more pedestrian friendly community and that is in close proximity to public-transit to make commuting easier. There is a large age group of 5-14 year olds which means that there are a lot of families in the area. The convenience of having housing and retail all in the same area would thereby be an attractive concept for these families. The prediction that the top four age groups in 2012 will be age 55-64 at 16.4%, 45-54 at 14.8%, 35-44 at 11.5% and 25-34 at 13.0% respectively suggest that people are staying in the area as well as more people will be moving in. This suggests that this area would be attractive in the near future to development an apartment/condominium community for the older population which seems to be staying as they age as well it is an attractive area for single or just married individuals to come and stay also. The age group that is also increasing is the 20-24

group from 5% to 6.1% which suggests that the age suggesting that it is an appealing area to create a more urban area more geared towards the more urban, single individuals who want the close proximity of the metro. Also, this development is in close vicinity to both the Twinbrook and White Flint Metro making access to Washington D.C and Virginia very convenient. This location provides easy access to both Washington, DC and local amenities.

The annual household income in the Rockville area is \$150,000 + at 24.8% of the population and about 17.5% is between \$50,000-74,999. The average household income is \$125,887 and is predicted to increase in 2012 to \$146,019. The average household income has increased from \$94,499 in 2000. This suggests that the residents in the area can afford more retail even in this unfavorable market and more upscale retail as well.

The design of this development with the amenities and green space will make it a focal point of the community. The architecture and pedestrian promenades with retail will draw residents to live here.

### **C. Proposed Redevelopment**

The proposed redevelopment of the Center involves demolishing an existing 2,000 square foot bank building which is located at the corner of Rockville Pike and Bou Avenue and replacing it with a new 6,000 square foot retail building. The demolished bank will be replaced with a slightly larger bank building at 3,600 square feet to be located further to the north along the Rockville Pike frontage of the Center. Along with these additions, the following modifications to the center are proposed: 1. To provide significant perimeter and internal landscaping well in excess of the 10 percent green area requirement; 2. Improve the existing Shopping Center structure by providing a new standing seam

mansard roof and new signage, 3. dedicate 5,515 square feet of the Property along Rockville Pike to accommodate a 134-foot right-of-way, 4. improve the Rockville Pike frontage and locate the new buildings in such a manner to accommodate a future 150 foot Rockville Pike right-of-way, 5. Reconstruct the Rockville Pike sidewalk to add landscaping and relocate it further away from the curb, and 6. Provide lead sidewalks from Bou Avenue adjacent to the retail pad and from Rockville Pike adjacent to the bank pad.

As discussed earlier, the C-4 development standards provide for a matter-of-right density of .25 FAR. However, Zoning Ordinance Section 59-C-4.378 provides that additional density up to 0.75 is allowed subject to the Optional Method which requires Site Plan review. This is recommended for Pike Center since the addition of 7,600 square feet on the Property would result in a .28 FAR . This new site plan still complies with the requirements of the Zoning Ordinance Section 59-D 3.4 (c) and therefore, the Planning Board is most likely to approve this site plan. The proposed development does is the recommendation even though the site could support 0.75 FAR because the added cost to develop more density which would have to include either structured parking or underground parking as well as considering the 35% lot coverage constraint outweighs the value of the added density at the current time. Therefore, currently with the 35% maximum lot coverage constraint, the parking requirement constraints and the current zoning, additional density would mean adding an additional second story of retail which is not as valuable in terms of leasing opportunities and rentable space and is not justified.

The proposed redevelopment will improve the site in several ways. Aesthetically it improves the site as it locates two buildings along the street frontage to begin to frame

the Rockville Pike frontage and develop the desired and new plan for urban form of orienting buildings towards the street. This orientation is beneficial in that it eliminates the current view of a parking lot from Rockville Pike. The enhanced streetscape will also satisfy all sector plans. Finally, the overall appearance of the center will be greatly improved and therefore will be more inviting to consumers which will improve retail sales.

The proposed development will also increase pedestrian safety with improvements to the sidewalks along Rockville Pike. The sidewalks will be reconstructed to accommodate a lawn panel with street trees and shrubs between the curb and the sidewalk to serve as a buffer for pedestrians. The current sidewalk is located only three feet from Rockville Pike curb and is only a grass strip. The internal parking lot will also be improved with the addition of landscape islands. Furthermore, the proposed landscaping will be significantly enhanced. Currently, only 4.7% of the Property is improved with green area, the proposed development will increase this to be almost 16 % of the site which will transform the center . These changes are significant improvements to the center without veering from conforming to the recommendations and guidelines of the Sector Plans.

#### **D. Economics of Redevelopment**

The proposed redevelopment of the shopping center including the addition of two pad sites will add value to the site allowing for additional revenue with reasonable development and renovation costs to the developer. The additional rent revenue from the pad sites will result in a significant income for the center. The one vacancy in the center

is significant and does need to be leased to a permanent tenant as soon as possible. The leases are at a slightly lower market rate however they are still at a profitable amount.

Financing the façade renovation and pad site development is already in place and cash flow from the property is expected to cover any additional costs.

The cost of redevelopment including renovations and pad site development with the added revenue generated from the two pad sites results in a 15% yield on cost which was calculated by dividing the first year stabilized income by the total development costs.

Total development costs include all costs and offsetting revenues projected until stabilization when the center is projected to be fully leased. The general market assumptions used in determining whether the additional revenue from the pad sites would justify the cost for redevelopment were: a 75% renewal probability, tenant improvements for the initial build out at \$40psf, leasing commissions of 5% for the new tenants and 2% for renewals, a general vacancy/credit loss percent of 4%, as well as a general inflation rate of 3%. Using these assumptions and the costs of development of the pad sites and renovations resulted in the calculations of an unleveraged IRR of 11%, a leveraged IRR of 16% with a yield on cost of 15%. Therefore, the additional income in revenue from the additional square footage as well as the yield on cost of 15% and the expected leveraged internal rate of return of 16% justifies the cost of development of the two pad sites and the cost of the renovations. In sum, the proposed redevelopment is the recommendation for this site.

Demolition (est)	\$1,000,000		
Site Work (est)	\$1,750,000		
New Structures (est)	\$1,550,000		
Development Costs	\$4,300,000		
Additional Pad Site NOI	\$288,000	9,600 sf @ \$30psf	
Increased NOI from inline stores (est)	\$368,460	73,692sf @ \$5 psf	*note
Increased Revenue	\$656,460		
Yield on Cost of Renovation	$656,460 / 4,300,000 =$	15%	on an unleveraged basis
* Note: This is based on the assumption that due to the renovations and improvements to the center, a higher rent of \$5 more a square foot will result.			

## E. Analysis for Retail Capture Rates – 5 Mile Radius

### Step 1:

Determined the total number of households and the average household income in the Rockville area from the U.S. Census Bureau within a 5 mile radius. Then calculated the total household income by multiplying the total number of households by the average household income.

-Total Household Income: \$16,838,864,259

- Total Households: 135,303 for a 5 mile radius
- Average Household Income: \$124,453
  - $(135,303 * \$124,453) = \$16,838,864,259$

### Step 2:



**Assumptions of the consumer expenditures and sales productivity**

**requirements for new retail space. Assumed a 10% inflow; retail spending from outside the trade area.**

-Assume 60% of the alcoholic beverages are purchased for consumption at eating and drinking places; the remaining 40% for home/other consumption

- Sales productivity requirements for new retail space

-Eating and Drinking Places = \$400 per SF

Grocery/Convenience= \$500 per SF

- General Merchandise, Apparel, Furnishings, and Other (GAFO) = \$300 per SF

- Assume 10 % inflow



Trade Area Household Income= \$16,838,864,259

**Step 3:**

**See Consumer Expenditure Chart in the Appendix. Calculated the total trade area household spending from the Bureau of Labor Statistics, table of Consumer**

**Expenditures in the Northeast Region. Data from Table 8. Region of Residence:**

**Average annual expenditures and characteristics, 2006.**

<http://www.bls.gov/cex/2006/Standard/region.pdf>

Trade Area Household Spending= 22.1%

**Step 4:**

**Calculated the total spending by multiplying the total trade area household income by the trade area household spending.**

Trade Area Household Income \* Trade Area Household Spending = \$16,838,864,259\*

22.1% = \$3,721,389,001.24

Total Spending = \$3,721,389,001.24

**Step 5:**

**Calculated the Capture Rate based on the following:**

- **The retail surrounding Pike Center is (these are all close estimates) :**  
**Federal Plaza: 200,000sf, Montrose Crossing, 350,000sf, Tower Center:**  
**30,000sf, Congressional North: 176,800sf White Flint, 800,000. In the**  
**Pipeline is Twinbrook Commons at 187,000 sf and White Flint Crossing**  
**230,000sf. Site Capture of Spending: On the 6.84 acre site, the site 's**  
**proposed retail space is approximately 82,000 square feet of retail space.**

Capture Rate =

82,000sf / 200,000 + 350,000 + 30,000 + 176,800 + 187,000 + 800,000 + 230,000 =

82,000 / 1,973,800 \* 100 = 4.15%

**Step 6:**

**Multiplied the total spending by the capture rate and by the inflow.**

Total Spending = \$3,721,389,001.24 \* 4.2% = 156,298,338 \* 1.1 = 171,928,172

**Step 7:**

**Determined the different categories of consumer spending in the northeast region based on data from the Bureau of Labor Statistics (see Consumer Expenditure Data Chart in the appendix).**

Eating and Drinking Places= 4.3%

Grocery/Convenience=3.11%

General Merchandise, Apparel, Furnishings, and other= 9.3%

Weighted Average= \$400/sf in sales

**Step 8:**

**Divided the total amount of spending taken into account the capture rate and inflow by the weighted average of how many dollars per square feet are spent in sales in order to arrive at the amount of supportable square feet a trade area will be able to accommodate.**

171,928,172/\$400/sf in sales= 429,820.43=429,820 square feet; supportable square feet according the Bureau of Labor Statistics data for the Northeast Region.

**F. Analysis for Retail Capture Rates - 3 mile radius**

**Step 1:**

**Determined the total number of households and the average household income in the Rockville area from the U.S. Census Bureau within a 3 mile radius.. Then calculated the total household income by multiplying the total number of households by the average household income.**

-Total Household Income: \$6,109,730,068

- Total Households: 53,093 for a 3 mile radius
- Average Household Income: \$115,076
  - $(53,093 * \$115,076) = \$6,109,730,068$

**Step 2:**

**Assumptions of the consumer expenditures and sales productivity requirements for new retail space. Assumed a 10% inflow; retail spending from outside the trade area.**

Trade Area Household Income= \$6,109,730,068

**Step 3:**

**See Consumer Expenditure Chart in the Appendix. Calculated the total trade area household spending from the Bureau of Labor Statistics, table of Consumer Expenditures in the Northeast Region.**

Trade Area Household Spending= 22.1%

**Step 4:**

**Calculated the total spending by multiplying the total trade area household income by the trade area household spending.**

Trade Area Household Income \* Trade Area Household Spending = \$6,109,730,068\*

22.1%= \$1,350,250,345.03

Total Spending= \$1,350,250,345.03

**Step 5:**

**Calculated the Capture Rate based on the following:**

- **The retail surrounding Pike Center is (these are all close estimates) :**  
**Federal Plaza: 200,000sf, Montrose Crossing, 350,000sf, Tower Center:**  
**30,000sf, Congressional North: 176,800sf White Flint, 800,000. In the**  
**Pipeline is Twinbrook Commons at 187,000 sf and White Flint Crossing**

**230,000sf. Site Capture of Spending: On the 6.84 acre site, the site 's  
proposed retail space is approximately 82,000 square feet of retail space.**

Capture Rate=

$82,000\text{sf} / 200,000 + 350,000 + 30,000 + 176,800 + 187,000 + 800,000 + 230,000 =$

$82,000 / 1,973,800 * 100 = 4.15\%$

**Step 6:**

**Multiplied the total spending by the capture rate and by the inflow.**

Total Spending=  $\$1,350,250,345.03 * 4.2\% = 56,710,514.49 * 1.1 = 62,381,565.94$

**Step 7:**

**Determined the different categories of consumer spending in the northeast region  
based on data from the Bureau of Labor Statistics (see Consumer Expenditure Data  
Chart in the appendix).**

Eating and Drinking Places= 4.3%

Grocery/Convenience=3.11%

General Merchandise, Apparel, Furnishings, and other= 9.3%

Weighted Average= \$400/sf in sales

**Step 8:**

**Divided the total amount of spending taken into account the capture rate and inflow  
by the weighted average of how many dollars per square feet are spent in sales in  
order to arrive at the amount of supportable square feet a trade area will be able to  
accommodate.**

$62,381,565.94 / \$400/\text{sf in sales} = 155,953.91 = 155,953 \text{ square feet; supportable square feet}$   
according the Bureau of Labor Statistics data for the Northeast Region.

This is consistent with the amount of retail proposed for this development.

### **G. Analysis for Retail Capture Rates - 1 mile radius**

#### **Step 1:**

**Determined the total number of households and the average household income in the Rockville area from the U.S. Census Bureau within a 1 mile radius. Then calculated the total household income by multiplying the total number of households by the average household income.**

-Total Household Income: \$2,196,854,037

- Total Households: 17,451 for a 1 mile radius
- Average Household Income: \$125,887
  - $(17,451 * \$125,887) = \$2,196,854,037$

#### **Step 2:**

**Assumptions of the consumer expenditures and sales productivity requirements for new retail space. Assumed a 10% inflow; retail spending from outside the trade area.**

- Trade Area Household Income= \$2,196,854,037

#### **Step 3:**

**See Consumer Expenditure Chart in the Appendix. Calculated the total trade area household spending from the Bureau of Labor Statistics, table of Consumer Expenditures in the Northeast Region.**

- Trade Area Household Spending= 22.1%

#### **Step 4:**

**Calculated the total spending by multiplying the total trade area household income by the trade area household spending.**

Trade Area Household Income \* Trade Area Household Spending = \$2,196,854,037\*

22.1% = \$485,504,742.18

Total Spending = \$485,504,742

**Step 5:**

**Calculated the Capture Rate based on the following:**

- The retail surrounding Pike Center is (these are all close estimates) :

**Federal Plaza: 200,000sf, Montrose Crossing, 350,000sf, Tower Center:**

**30,000sf, Congressional North: 176,800sf and White Flint, 800,000sf . In**

**the Pipeline is Twinbrook Commons at 187,000 sf and White Flint**

**Crossing 230,000sf . Site Capture of Spending: On the 6.84 acre site, the**

**site 's proposed retail space is approximately 82,000 square feet of retail space.**

Capture Rate =  $82,000 / (200,000 + 350,000 + 30,000 + 176,800 + 800,000 + 187,000 + 230,000) =$

$82,000 / 1,973,800 * 100 = 9.1\%$

**Step 6:**

**Multiplied the total spending by the capture rate and by the inflow.**

Total Spending =  $\$485,504,742 * 9.1\% = 4,418,0931 * 1.1 = 48,599,024$

**Step 7:**

**Determined the different categories of consumer spending in the northeast region based on data from the Bureau of Labor Statistics (see Consumer Expenditure Data Chart in the appendix).**



Eating and Drinking Places= 4.3%

Grocery/Convenience=3.11%

General Merchandise, Apparel, Furnishings, and other= 9.3%

Weighted Average= \$400/sf in sales

**Step 8:**

**Divided the total amount of spending taken into account the capture rate and inflow by the weighted average of how many dollars per square feet are spent in sales in order to arrive at the amount of supportable square feet a trade area will be able to accommodate.**

$48,599,024 / \$400/\text{sf in sales} = 121,497.56 = 121,497$  square feet; supportable square feet according the Bureau of Labor Statistics data for the Northeast Region.

This means that this area can support additional retail. The additional retail proposed for Pike Center is a very conservative approach and actually the site could potentially accommodate even more retail than proposed. The additional density will serve the community.

## **VII. FINDINGS AND RECOMMENDATIONS**

I believe this proposal represents conservative estimates from which to proceed forward for redeveloping Pike Center consistent with infrastructure development and demand. As a recap, the following economic drivers support such a finding:

1. As Rockville develops and provides an updated living environment, this development will provide an attractive retail center, with positive externalities for the community. This will spawn further growth.

2. An updated and enhances center will encourage spending and attract pedestrians and consumers.
3. Rockville Pike is a strong retail hub and Pike Center's location along Rockville Pike makes this a truly optimal retail center.
4. The Washington Metropolitan Area growth will continue to feed this market, in addition to the growth in Montgomery County, which will enhance the above estimates.
5. The County eco-development-environmental and political environment is consistent with the vision and externalities offered by this proposal. This proposal is consistent with the Park and Planning Board vision for the North Bethesda Area, Twinbrook and White Flint Sector Plans as well as is consistent with the plans for the Rockville Pike Corridor.

The plans for Rockville Pike Corridor include, "quality architecture and urban design" in order to create "a visually appealing environment along the Pike"; roadway and intersection improvements on the Pike to allow for a smooth, safe vehicular flow; creating a safe and pleasant environment for walking and biking and additional open space, landscaping and environmentally friendly development to contribute to a greener Pike. (Rockville Pike Charrette results, June 3, 2008)

The proposed redevelopment and enhancements to Pike Center are all consistent with these plans for Rockville Pike. The Rockville Pike Corridor plans state that "the economic success of Rockville's Pike will be maintained by supporting both local and national retail and encouraging property redevelopment." (Rockville Pike Charrette Results, June 3, 2008). In the overall study, the plan is directed at

“greening the Pike”, through the addition of trees, landscaping, and environmentally friendly development; creating a multi-modal boulevard, more pedestrian and bicycle links with neighborhoods, framing the Pike, bringing buildings up to the street and creating a more durable, high quality architecture. The economics of Rockville Pike and the area of Pike Center support the plans for redevelopment. Growth is expected to continue for the Pike which indicates a potential for new housing, retail and other uses. Employment is also expected to steadily increase for Montgomery County. Retail on the Pike will continue to be the primary economic driver on the Pike. According to the Rockville Pike Corridor study, there are three main areas of Rockville Pike: South Pike, Mid Pike and North Pike. The South Pike has higher rents and national tenants. The Mid and North Pike, in which Pike Center falls, has slightly lower rents with predominately local tenants. The South Pike has a strong retail identity and a great potential for redevelopment. Mid Pike has a strong local character but has tremendous physical constraints. North Pike gravitates toward downtown and has potential for redevelopment. Pike Center is in a prime location on Rockville Pike and therefore, redevelopment for more density is appropriate and necessary for the plans of the corridor.

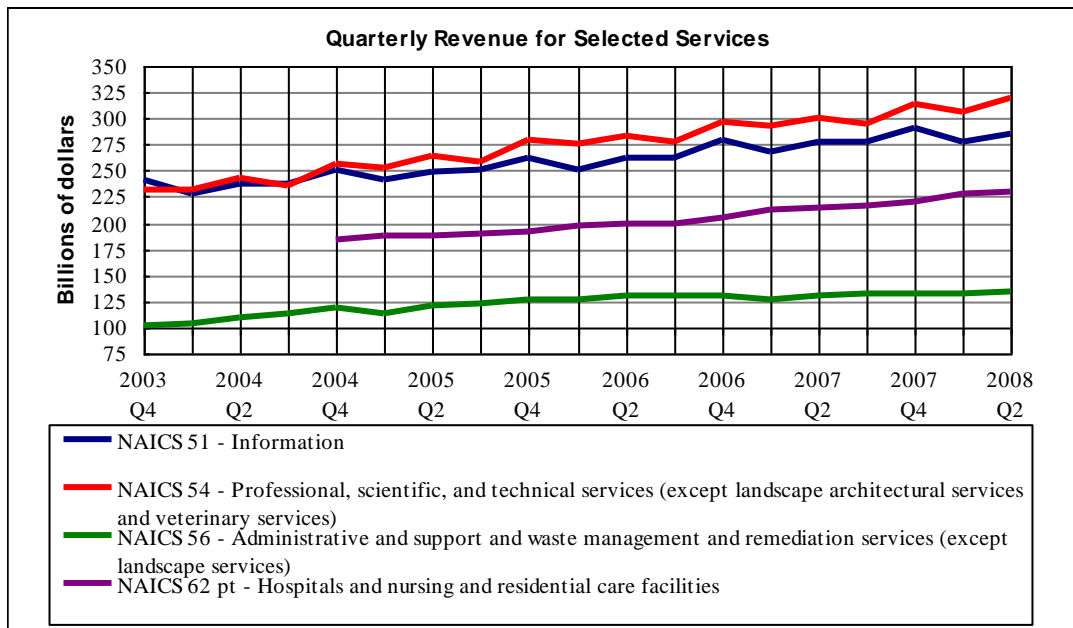
## APPENDIX

**Table 1: Leading Economic Indicators**  
**Source: U.S. Census Data, October 2008**

Economic Indicator	Current % Change September 2008	Previous % Change August 2008
U. S. International Trade in Goods and Services	\$-59.1 billion	\$-61.3 billion
Monthly Wholesale Trade: Sales and <i>Inventories</i>	0.8% change	1.5% change
Manufacturers' Shipments, Inventories, and Orders	-4.0 % change	+0.7% change
Quarterly Financial Report: Manufacturing, Mining & Trade	-1.1cents 2 <sup>nd</sup> Qtr 2008	0.3 cents 1 <sup>st</sup> Qtr. 2008
Construction Spending	0.0% change	-1.4% change
Advanced Report on Durable Goods Manufacturing, Shipments, Inventories and Orders	2.5% change	-9.3% change
New Home Sales	+2.7%change	-12.6% change
Housing Starts / Building Permits	-6.3% change	-8.1% change
Quarterly Services Survey	+2.5% change	-4.6% change
Manufacturing Trade Inventory & Sales	-1.8% change	+0.1% change
Advanced Mthly Sales for Retail and Food Services	-1.2% change	-0.4% change
Homeownership	67.9% 3 <sup>rd</sup> Qtr 2008	68.2% 3 <sup>rd</sup> Qtr. 2007
Quarterly Financial Report-Retail Trade	+0.1 cents 2nd Qtr 2008	-1.0cents 1st Qtr. 2008

<http://www.census.gov/cgi-bin/briefroom/BriefRm>

**Table 2: Quarterly Revenue for Selected Services**  
**Source: U.S. Census Data, Economic Indicators, 2<sup>nd</sup> Quarter 2008**



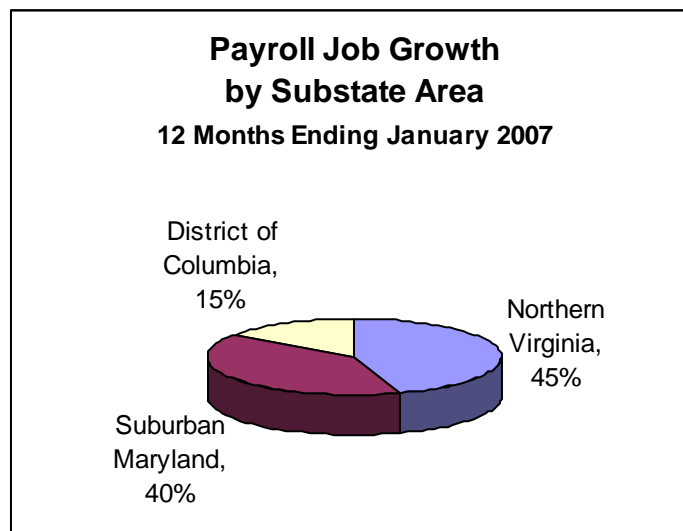
<http://www.census.gov/indicator/qss/qssq2-08pr.pdf>

**Table 3: Key Economic Indicators – Washington Metropolitan Area**  
**Source: Delta/Bureau of Labor Statistics; May 2008**

<b>Economic Indicator</b>	<b>At May 2008</b>
“Payroll” Employment	2,958,300
12-Month Job Growth	22,500
Unemployment Rate	3.3%
2008 Job Growth Projections	23,900 jobs created
2009 Job Growth Projections	35,300 jobs created
2010 Job Growth Projections	42,500 jobs created
15 year historic average	53,400 per year

Source: Delta Associates May 2008

**Table 4: Payroll Job Growth by Substate Area**  
**Source: Delta / Bureau of Labor Statistics, March 2007**



**Table 5: Trend in Employment by Major Sector**  
**Source: Delta / Bureau of Labor Statistics; March 2007**

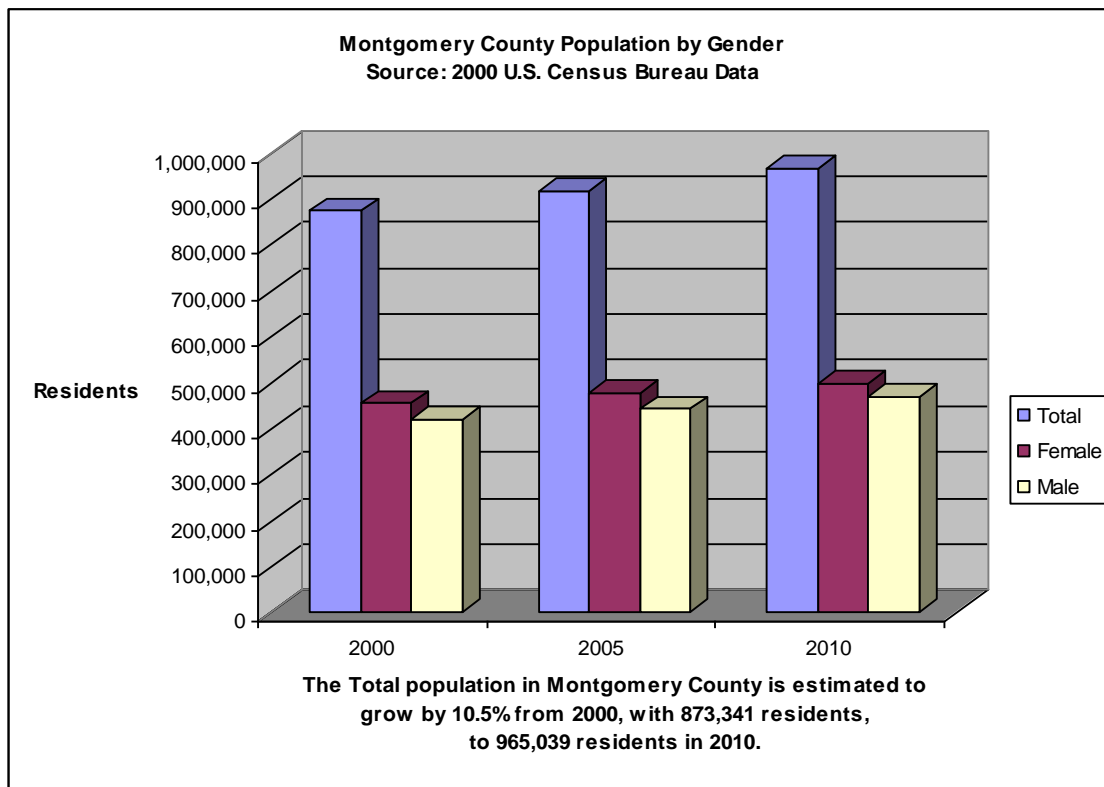
Trend in Employment by Major Sector Washington Metro Area (In 000's of Payroll Jobs)				
	Jan-06	Jan-07	12- Month Growth	10-Yr. Avg.
Prof./Bus. Svs.	645.5	667.3	21.8	23.7
Government	632.8	643.4	10.6	7.1
Edu./Health	311.5	321.4	9.9	8.4
Leisure/Hosp.	234.8	240.6	5.8	5.5
Other	172.2	175	2.8	4.8
Constr/Mining	185.4	187	1.6	7.1
Financial	159.3	160.1	0.8	3.2
Whole. Trade	69.4	69.5	0.1	0.7
Information	98.3	98	-0.3	0.5
Retail Trade	270.5	270	-0.5	2.9
Manufacturing	63.4	62.3	-1.1	-0.8
Transport/Util	65.4	63.7	-1.7	0.4
<b>Total</b>	<b>2908.5</b>	<b>2958.3</b>	<b>49.8</b>	<b>63.5</b>

**Table 5a: Industries Projected Largest Wage & Salary Employment Growth**  
**Source: Bureau of Labor Statistics for 2004 to 2014, Projected 12/7/05**

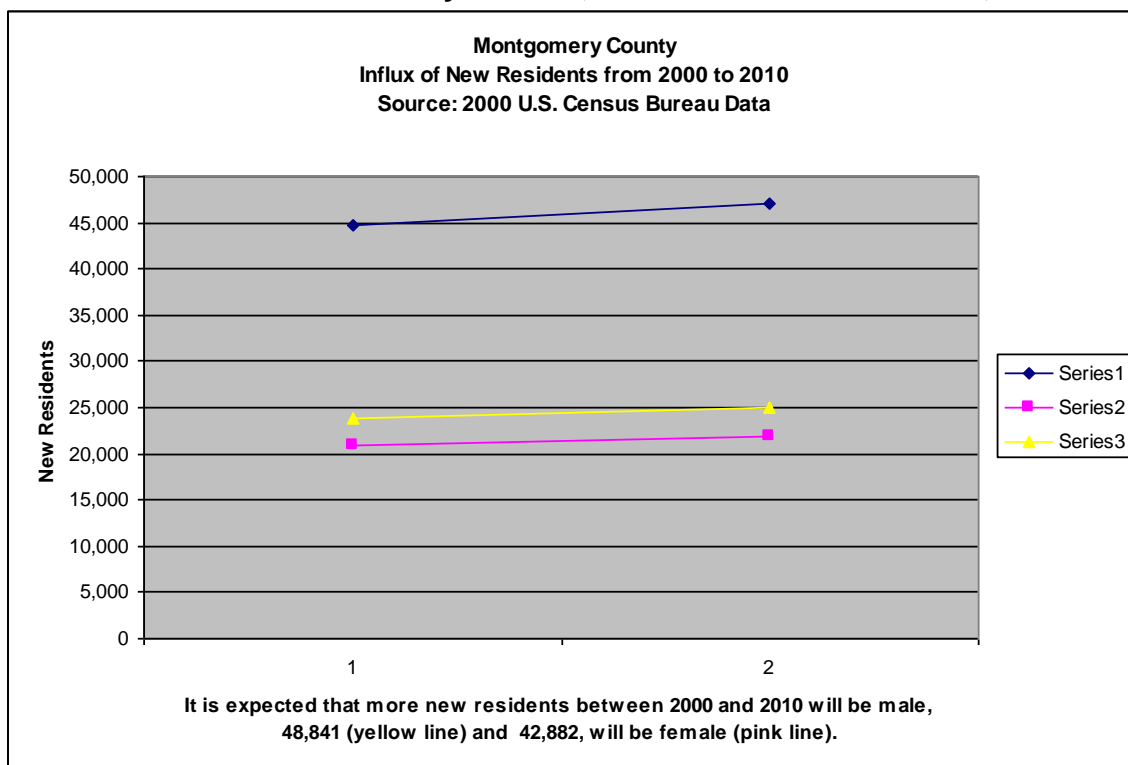
The 10 detailed industries with the largest wage and salary employment growth, 2004-14 <sup>1</sup> (Numbers in thousands)				
Source: <a href="http://www.bls.gov/emp/empmostgrowth.htm">http://www.bls.gov/emp/empmostgrowth.htm</a> Last modified: 12/7/05				
Industry	Employment		Change	
	2004	2014	Number	Percent
<b>Employment services</b>	3,470.30	5,050.20	1,579.90	45.5
<b>Local government educational services</b>	7,762.50	8,545.50	783	10.1
<b>Local government, excluding education and hospitals</b>	5,485.60	6,249.30	763.7	13.9
<b>Offices of physicians</b>	2,053.90	2,813.40	759.5	37
<b>Full-service restaurants</b>	4,226.40	4,927.80	701.4	16.6
<b>General medical and surgical hospitals, private</b>	4,050.90	4,699.00	648.1	16
<b>Limited-service eating places</b>	3,726.70	4,318.60	591.9	15.9
<b>Home health care services</b>	773.2	1,310.30	537.1	69.5
<b>Colleges, universities, and professional schools, private</b>	1,377.50	1,849.80	472.3	34.3
<b>Management, scientific, and technical consulting services</b>	779	1,250.20	471.2	60.5

Footnotes: (1) Data are from the National Employment Matrix.

**Table 6: Population by Gender, Source: U.S. Census Bureau Data, 2000**



**Table 7: Influx of Residents by Gender, U.S. Census Bureau Data, 2000**





**Table 8. Population by Race**  
**Source: U.S. Census Bureau Data, 2000**

**As a percent of the Total Population in 2000**

Total	873,341	100.0%
One Race	843,224	96.6%
White	565,719	64.8%
Black / African Am	132,256	15.1%
Amer Indian	2,544	0.3%
Asian	98,651	11.3%
Nat Hawa/Pacific Isl	412	0.0%
Other	43,642	5.0%
Two or more Races	30,117	3.4%
Hispanic or Latino	100,604	

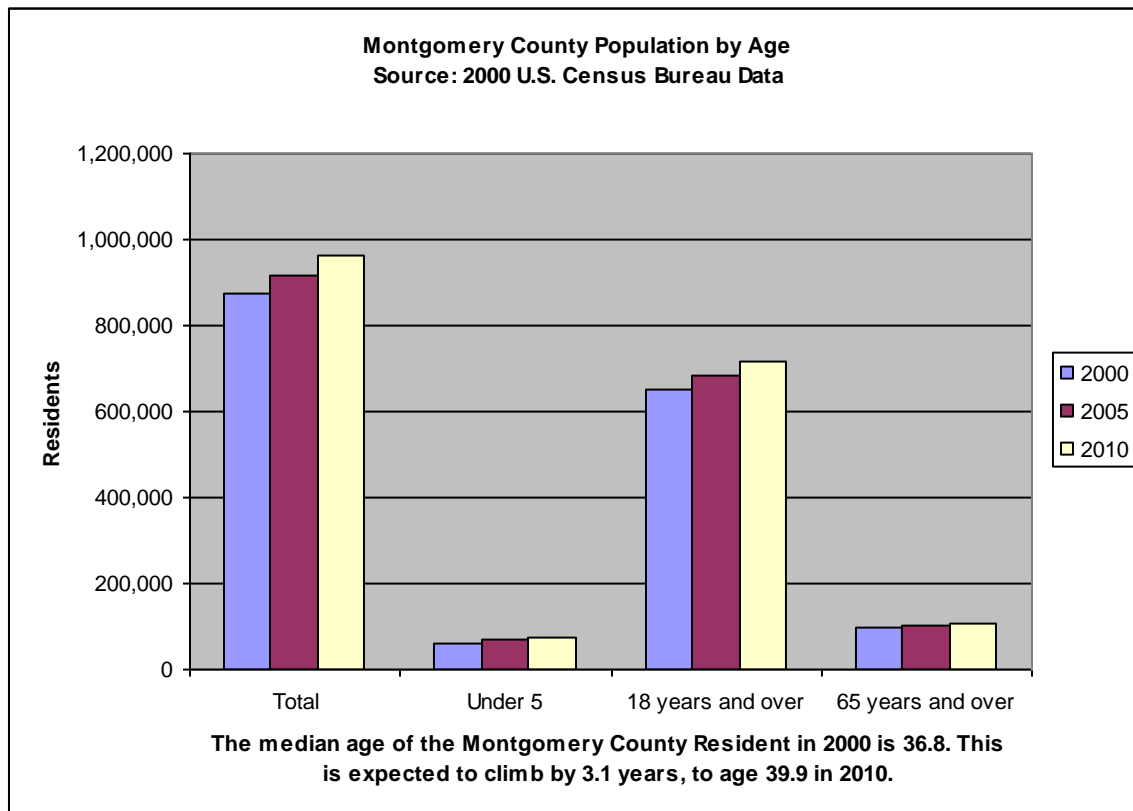
Extrapolated from 2000 U.S. Census Bureau Information

**As a percent of the Total Population in 2010**

Total (Difference 91,698)	965,039	100.0%
One Race	954,731	98.9%
White	560,818	64.2%
Black / African Am	158,919	18.2%
Amer Indian	1,237	0.1%
Asian	144,891	16.6%
Nat Hawa/Pacific Isl	309	0.0%
Other	103,817	11.9%
Two or more Races	14,364	1.5%
Hispanic or Latino	156,193	

**Table 9. Population by Age**

**Source: U.S. Census Bureau Data, 2000**



**Table 10. Age Distribution**

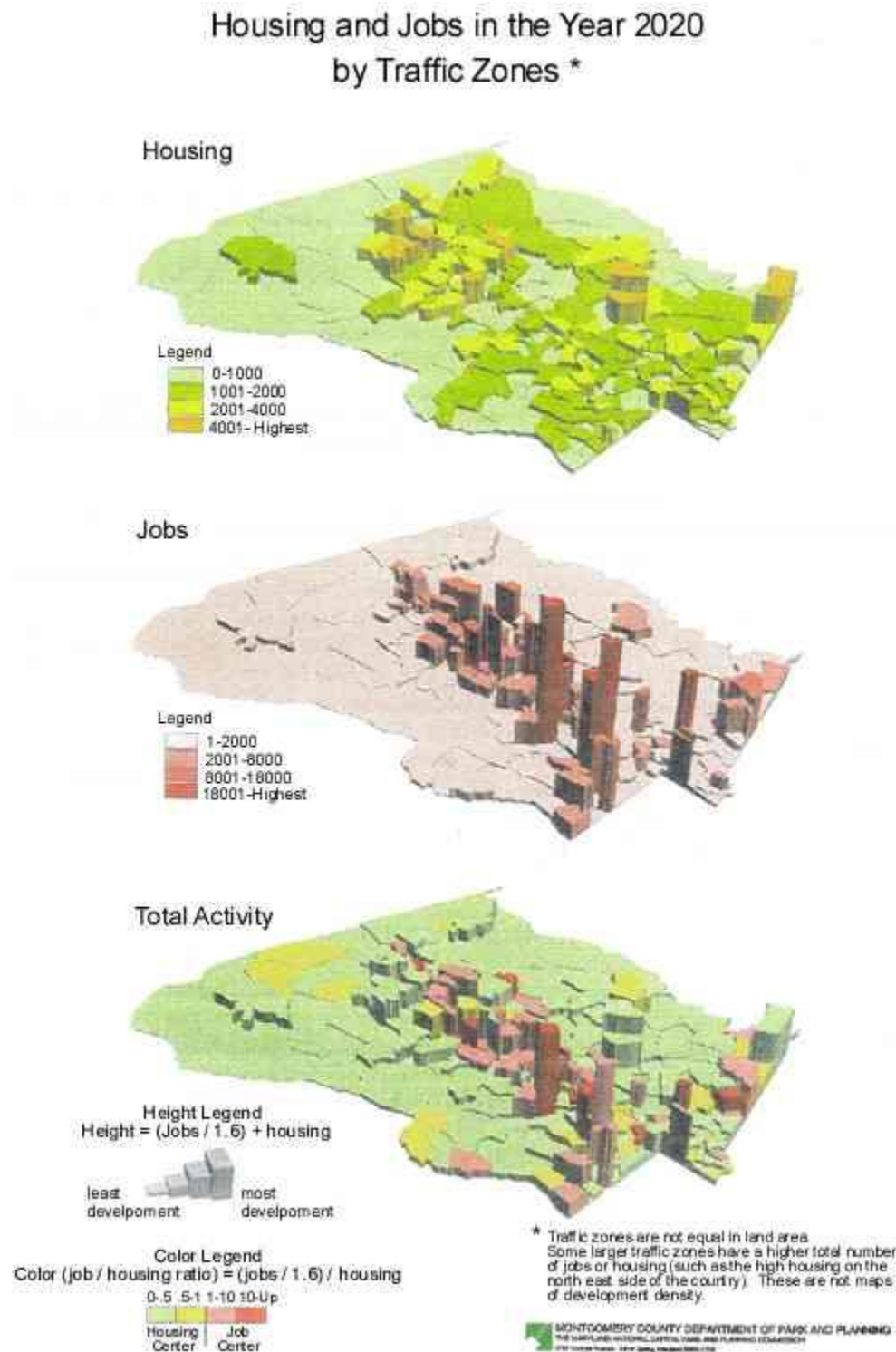
**Source: U.S. Census Bureau Data, 2000**

**MONTGOMERY COUNTY- AGE DISTRIBUTION**

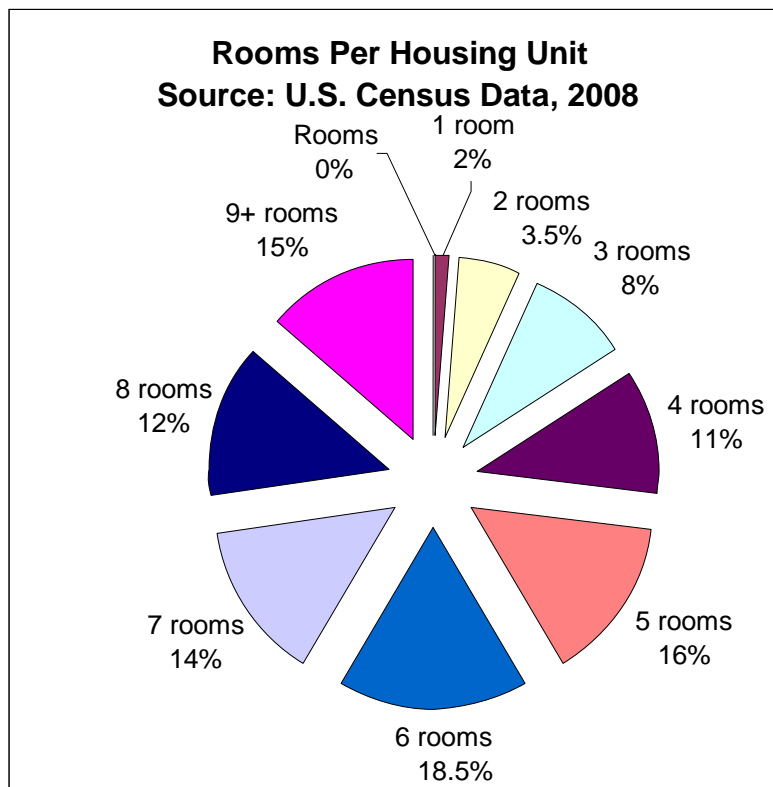
Nos. in Red were provided by the 2000 US Census Bureau Statistics

	2000	2005	2010	# growth from 2000 to 2010	% Growth from 2000 to 2010
<b>Total</b>	<b>873,341</b>	<b>918,046</b>	965,039	91,698	10.5%
Under 5	60,173	67,938	76,705	16,532	27.5%
18 years and over	651,583	683,253	716,462	64,879	10.0%
65 years and over	98,157	103,145	108,386	10,229	10.4%
Unaccounted	63,428	63,710	63,486		
Check	873,341	918,046	965,039		
Median Age yrs	36.8	38.3	39.9	3.1	8.3%

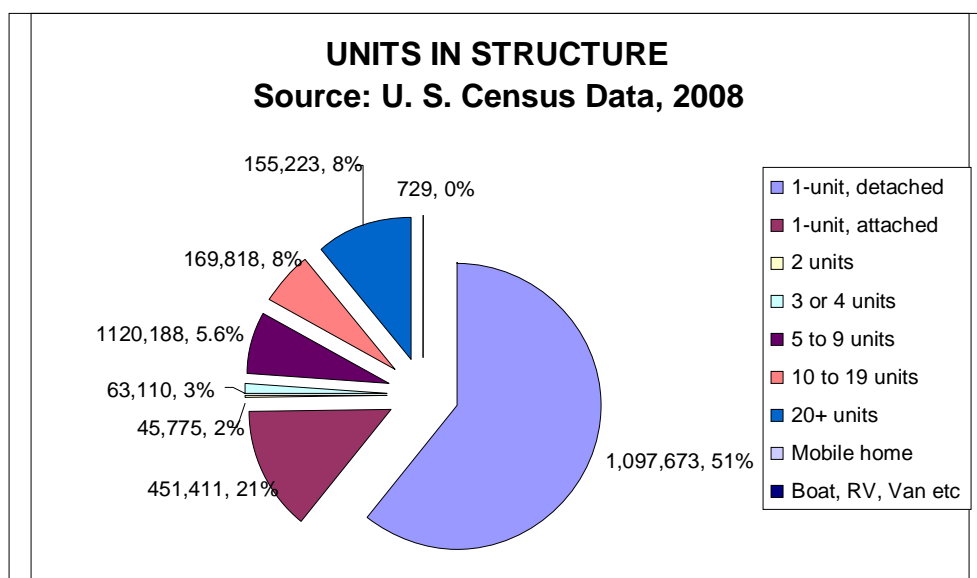
Table 11. Population by Employment and Commute



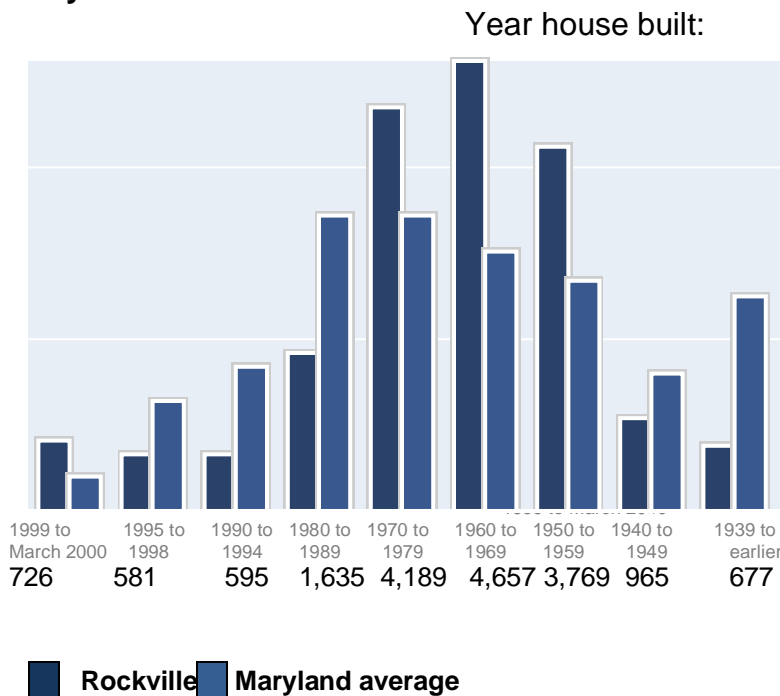
**Table 12. Number of Rooms in Housing Units in Rockville**  
Source: U.S. Census, 2008



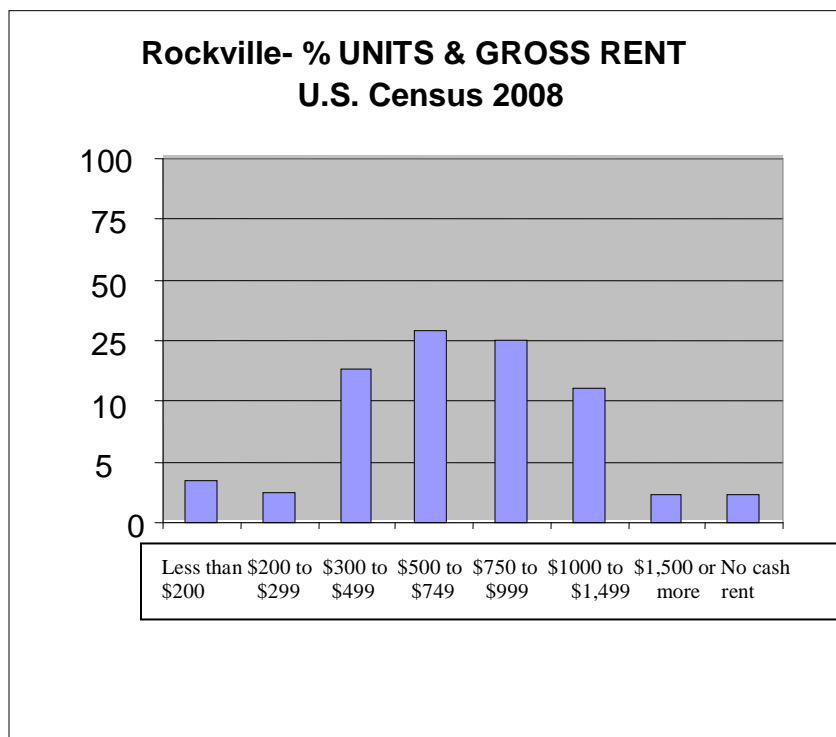
**Table 13. Units in Housing Structures.**  
Source: U.S. Census, 2008



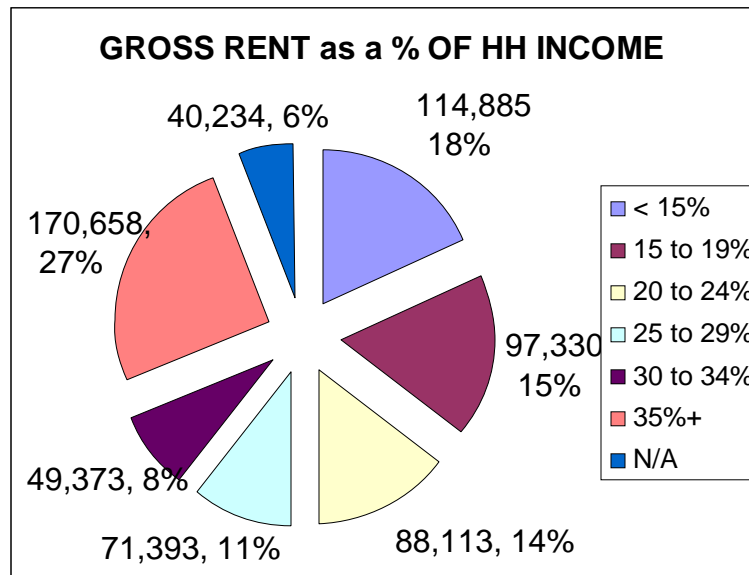
**Table 14. Years Housing Structures were Built in Rockville Compared to Maryland**



**Table 15. # of Units and Gross Rent**



**Table 16. Gross Rent as a Percent of Household Income**  
Source: U.S. Census, 2000



**Table 17. Retail Employment – Washington Metro Area**  
Source: Delta/Bureau of Labor Statistics, May 2008

Retail Employment Washington Metro Area		
Year	Retail Employment	Change
2001	254,800	(1,700)
2002	255,500	700
2003	256,600	1,100
2004	263,500	6,900
2005	268,500	5,000
2006	270,200	1,700
2007	270,700	500
2008*	265,400	300
*Employment total at March 2008; change reflects growth during the 12 months ending March 2008.		